



March 20, 2014

Mr. Sewell Gelberd, Owner
Academy of Cosmetology
1110 Barnwell St.
Columbia, SC 29201

UPS Tracking Number:
1ZA5467Y019611386

RE: **Final Program Review Determination**
OPE ID: 03088300
PRCN: 201230427939

Dear Mr. Gelberd:

The U.S. Department of Education's (Department's) School Participation Division - Atlanta issued a program review report on July 18, 2012 covering Academy of Cosmetology's (AOC's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV, HEA programs), for the 2011 and 2012 award years. AOC's final response was received on December 28, 2012. A copy of the program review report (and related attachments) and AOC's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by AOC upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) close the review.

Due to the serious nature of several of the enclosed findings, in the normal course, this FPRD would have been referred to the Department's Administrative Actions and Appeals Service Group for its consideration of possible adverse administrative actions. Since AOC is no longer participating in the Title IV, HEA programs, this FPRD will not be referred at this time; however, should AOC apply for reinstatement in the future, in addition to meeting all other

requirements, these findings will need to be addressed. Please note that the appeal instructions contained herein apply only to the appeal of the financial liabilities established in this FPRD.

The total liabilities due from the institution from this program review are \$717,866.00.

This final program review determination contains detailed information about the liability determination for all findings.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the July 18, 2012 program review report. If AOC wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date AOC receives this FPRD. An original and four copies of the information AOC submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

AOC's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally

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Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
(4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to AOC's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Robert Scott at (404) 974-9300. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6); (b)(7)(C)

Charles Engstrom
Division Director

Enclosure:
Protection of Personally Identifiable Information

cc: Penny Sweatman, Financial Aid Administrator
National Accrediting Commission of Cosmetology Arts and Sciences
South Carolina Department of Labor, Licensing and Regulations

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for
Academy of Cosmetology

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

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OPE ID 03088300
PRCN 201230427939

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division - Atlanta

Final Program Review Determination

March 20, 2014

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A. Institutional Information

Academy of Cosmetology
5117 Dorchester Rd.
Charleston, SC 29418-5667

Type: Proprietary

Highest Level of Offering: Diploma

Accrediting Agency: National Accrediting Commission of Cosmetology Arts & Sciences

Current Student Enrollment: 51 (2012)

% of Students Receiving Title IV, HEA funds: 84% (2011)

Title IV, HEA Program Participation (Funding Data Summary/PC Net):

	2011
Federal Pell Grant (Pell)	\$389,335.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 8,533.00
William D. Ford Direct Loan	\$457,962.00

Default Rate FFEL/DL:	2010	22.2%
	2009	9.4%
	2008	5.0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Academy of Cosmetology (AOC) from May 7, 2012 to May 11, 2012. The review was conducted by Robert Scott, Melody Parker-Venable and Pamela Clemmer.

The focus of the review was to determine AOC's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of AOC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2011 and 2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on July 18, 2012.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning AOC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve AOC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

Findings 3, 4, 8, 9, 12, 14 - 17, 19, 20, 22 - 25 and 28

AOC has taken the corrective actions necessary to resolve findings 3, 4, 8, 9, 12, 14 - 17, 19, 20, 22 - 25 and 28 of the program review report. Therefore, these findings may be considered closed.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of AOC's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on July 18, 2012 is attached as Appendix D.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

Finding #1. Lack of Administrative Capability

Citations: 34 C.F.R. § 668.24 (a), states that an institution shall establish and maintain, on a current basis, any application for Title IV, HEA program funds and program records that document—

- (1) Its eligibility to participate in the Title IV, HEA programs;*
- (2) The eligibility of its educational programs for Title IV, HEA program funds;*
- (3) Its administration of the Title IV, HEA programs in accordance with all applicable requirements;*
- (4) Its financial responsibility, as specified in this part;*
- (5) Information included in any application for Title IV, HEA program funds; and*
- (6) Its disbursement and delivery of Title IV, HEA program funds.*

An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis—

- (i) Financial records that reflect each HEA, Title IV program transaction; and*
- (ii) General ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity.*

In addition, 34 C.F.R. § 668.32 of the General Provisions states that a school participating in the FFEL Program is eligible to receive Title IV, HEA program assistance if the student—

- (i) Is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution;*
- (ii) For purposes of the FFEL and Direct Loan programs, is enrolled for no longer than one twelve-month period in a course of study necessary for enrollment in an eligible program; or*
- (iii) For purposes of the Federal Perkins Loan, FWS, FFEL, and Direct Loan programs, is enrolled or accepted for enrollment as at least a half-time student at an eligible institution in a program necessary for a professional credential or certification from a State that is required for employment as a teacher in an elementary or secondary school in that State;*

For purposes of the FFEL and Direct Loan programs, is at least a half-time student; Is not enrolled in either an elementary or secondary school.

Noncompliance: *During the review, the following areas of Title IV non-compliance were noted and are considered to demonstrate a lack of administrative capability by Academy of Cosmetology in administering the Title IV Federal Student Aid Programs.*

- *Institution Not Following Its Own Policies*
- *Satisfactory Academic Progress (SAP) Policy Inadequate*
- *Leave of Absence Deficiencies*
- *Failure to Perform Entrance/Exit Counseling*
- *Return of Title IV (R2T4)*
- *Verification Violations*
- *Aggregate Loan Limits Exceeded*
- *Excess Cash Maintained*
- *Inaccurate Ledgers*
- *Cost of Attendance/Need Exceeded*
- *Missing ISIRs*
- *Prior Year Charges*
- *Lack of Internal Controls*

Required Action: *Each of the above listed areas was discussed more fully in the remainder of the Program Review Report (PRR) which outlined the actions necessary for the Academy of Cosmetology to correct the deficiencies. In response to this finding the institution was to submit to the Department a comprehensive plan to improve the school's administrative capability.*

Final Determination: This finding was not fully addressed by AOC's response. As a result of AOC's closure and loss of eligibility in the Title IV programs, effective February 1, 2013, no further action is required with respect to this finding.

Finding #2. Inaccurate COD/Ledger disbursement dates

Citation Summary: *34 C.F.R. § 668.24(c), Student Assistance General Provisions, states the records that an institution must maintain in order to comply with the provisions of this section include, but are not limited to, the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of Federal Work Study wages.*

34 C.F.R. § 668.24(d), Student Assistance General Provisions, states an institution shall maintain required records in a systematically organized manner. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements.

34 C.F.R. § 690.75, Determination of Eligibility for Payment, states that for each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the student—

- (1) Qualifies as an eligible student under 34 CFR Part 668, Subpart C;*
- (2) Is enrolled in an eligible program as an undergraduate student; and*
- (3) If enrolled in a credit hour program without terms or a clock hour program, has completed the payment period as defined in §668.4 for which he or she has been paid a Federal Pell Grant.*

34 C.F.R. § 685.303, Processing of the Proceeds of a Direct Loan, states that schools shall follow the procedures for disbursing funds in 34 C.F.R. § 668.164.

Noncompliance Summary: *The reviewers found that the disbursement dates in the Common Origination and Disbursement System (COD) did not match the disbursement dates on the student ledgers at the school.*

Required Action: *The issue was systemic across both award years and affects both grant and loan funds. The institution was to reenter the COD system and adjust the COD disbursement dates for any Title IV disbursements made for the 2010-2011 and 2011-2012 award years so that they accurately reflected the actual disbursement dates shown on the student ledgers.*

The school was to inform the Department of when this corrective action was expected to be resolved and provide written assurance that the adjustments had been made. Further, the institution was to update its procedures for processing Title IV funds and provide a copy to the Department detailing resolution of this issue.

AOC's Response: The institution provided what appears to be a copy of procedural steps on how to access COD to update student records; however, a formal reply was not submitted nor was written assurance provided that the adjustments had been made or were being made. The institution was contacted for additional information on this finding; however, no subsequent information was ever received.

Final Determination: Under normal circumstances, the institution would be required to reenter the COD system and adjust the COD disbursement dates for Title IV disbursements made for the reviewed award years so that the actual disbursement dates are accurately reflected. However, the institution has closed and Title IV funding for the reviewed award years is identified as a liability pursuant to other findings. Therefore no adjustments are necessary.

Finding #5. Early/Late Disbursement of Title IV Funds

Citation Summary: *34 C.F.R. § 668.164, Disbursing funds, states that an institution must disburse title IV, HEA program funds on a payment period basis. An institution must disburse title IV, HEA program funds once each payment period unless—*

- (i) For FFEL and Direct Loan funds, 34 C.F.R. 682.604(c)(6)(ii) or 34 C.F.R. 685.301(b)(3) applies;*
- (ii) For federal Perkins Loan, FSEOG, Federal Pell Grant, ACG and National SMART Grant funds, an institution chooses to make more than one disbursement in each payment period in accordance with 34 C.F.R. 674.16(b)(3), 34 C.F.R. 676.16(a)(3), 34 C.F.R. 690.76, or 34 C.F.R. 691.76, as applicable; or*
- (iii) Other program regulations allow or require otherwise.*

34 C.F.R. § 682.604, Processing the borrowers loan proceeds and counseling borrowers, states that unless the provision of 682.207(d) applies, if a loan period is more than one payment period, the school must deliver loan proceeds at least once in each payment period; and for a loan certified under 682.602(f)(1)(i)(B), the school may not make the second delivery until the student successfully completes half of the number of credit hours or clock hours and half of the number of weeks of instructional time in the payment period. The school must deliver loan proceeds in substantially equal installments and no installment may exceed one-half of the loan.

Noncompliance Summary: *The reviewers found instances where loan proceeds were either drawn down too early or were not posted to the student ledger within the awarded payment period. Proceeds not posted within the awarded payment period were posted in subsequent payment periods.*

Required Action Summary: *The school's response to this finding was to explain corrective actions the institution would take to ensure the correct disbursement of Federal funds in the future.*

Due to the extensive errors discovered during the review, the institution was also to review all of its files for the reviewed award years for all students who received Title IV funds to determine those students for whom Title IV aid was not disbursed properly. Once the institution completed its file review, it was to provide a list of all students identified by its file review whose Title IV aid was not disbursed/posted timely.

The institution was also to update its procedures to ensure that the errors did not reoccur. A copy of the institution's revised policies and procedures for disbursement of funds was to also be included with the institution's response. The institution was to engage an Independent Auditor (IA) to test the file review completed by AOC. The IA was to develop a set of procedures designed for testing the accuracy and completeness of the file review. The auditor was also supposed to supply a confirmation statement that the file review conducted by AOC was accurate.

AOC's Response: The institution stated that it recognized that it did not always disburse Title IV, HEA program funds in accordance with Federal regulations or institution policy and that it had made disbursements prior to the determination of the students being eligible to receive them. The institution also recognized that in a clock hour program, a payment period is the period of time in which the student completes the number of clock hours in the payment period prior to becoming eligible for a subsequent disbursement. The institution completed a review of all posted disbursements of Title IV funds outlined those funds that were improperly disbursed.

The institution claimed that it had received improperly, \$7,890.25 of ineligible funds, and that it received early and without proper determination, \$333,318.00 of Title IV aid, but that students otherwise became eligible for those funds at a later date.

Final Determination: The institution did not submit an updated copy of its procedures as required by the PRR. The institution was contacted for additional information regarding this finding multiple times; however, no additional information was received.

Additionally, AOC was required to perform a file review to respond to this finding, and have that file review attested to by an Independent Auditor (IA) and submit the results of that review to this office. Although a file review was completed by AOC, the institution did not have the results attested to by an IA. The institution was contacted regarding the lack of an IA attestation, both verbally and in writing. These contacts were done by email on December 20, 2012, and on March 12, 2013 as well as via letter on January 16, 2013. Phone calls were also made to the institution over a period of several months starting in December 2012 and ending in March 2013. The owner declined to have the IA step completed stating the Department would have to use the information already received.

IA attestation is confirmation from an approved third-party Certified Public Accountant that required actions have been taken, are clear, and any corrections necessary have been accurately made. IA attestation was required and necessary because AOC's student files and fiscal records were incomplete, missing, unreliable and institution officials were not confident of which information was correct.

Based upon records the institution had on hand, it was impossible to determine if AOC had properly accounted for Department funds and credited student's ledgers properly. After requesting extensions to respond to the PRR on October 19, 2012, December 21, 2012, and January 31, 2013, AOC submitted an incomplete response to this finding that this office cannot reasonably rely upon to establish liabilities. Consequently, the Department has determined that all funds disbursed to students for the 2010 – 2011 and 2011 - 2012 award years are a liability.

Liabilities	Pell (Closed Award Year)	FSEOG	EALF DL	
AY 2011	\$389,335.00	\$6,400.00		
AY 2012	\$254,050.00	\$2,512.00		
Subtotal	\$643,385.00	\$8,912.00	\$50,582.00	
Interest/SA	\$14,451.00	\$243.00		
ACA		\$292.00		
Subtotal	\$14,451.00	\$535.00		
TOTAL	\$657,836.00	\$9,447.00	\$50,582.00	
Payable To:				Totals
Department	\$657,836.00	\$9,447.00	\$50,582.00	\$717,866.00

See Appendices E and F regarding liabilities. Additionally, a Final Audit Determination letter was sent to the institution on September 24, 2013 based upon multiple years of missing audits that have not been provided to the Department that identified as liabilities all funds for which an accounting was not provided.

Finding #6. Pell Under Award

Citation Summary: 34 C.F.R. § 690.62, *Federal Pell Grant Program*, states that the amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.

Noncompliance Summary: The reviewers identified three students for whom Federal Pell Grant funds were under awarded.

Required Action Summary: The institution was to provide a copy of its updated procedures to ensure that future students are not under awarded Federal Pell Grant funds.

Due to the errors discovered during the 2010 - 2011 award year, the institution was to review all of its files for the reviewed award years for all students who received Pell Grant funds to determine if the funds were properly disbursed and/or prorated. Once the institution completed its file review, it was to provide a list of all students identified by its file review who had funds that were incorrectly prorated or disbursed.

The institution was to engage an IA to test the file review completed by AOC. The IA was to develop a set of procedures designed for testing the accuracy and completeness of the file review. In addition, the auditor was to supply a confirmation statement that the file review conducted by AOC was accurate.

AOC's Response: The institution claimed that Pell under awards occurred due to improper calculation of eligibility based on pro-rated hours of the award year. The institution concurred with findings related to student eligibility, specifically related to proper calculation of Federal Pell Grant eligibility for students during the review period in question. The institution stated that it removed the calculation of Pell eligibility from an antiquated system to a modern automated system with the change to the new third party servicer.

The institution alleged that in addition to the three student files identified by the program reviewers, there were 15 additional improperly paid students for a total of \$16,410 of under awarded Pell proceeds.

Final Determination: AOC was required to perform a file review to respond to this finding, have the file review attested to by an IA, and submit the results of that review to this office along with the IA's attestation. While it appears that a file review was actually completed by the institution, it was not attested to by an IA and the institution refused to do so. AOC was contacted both verbally and in writing multiple times regarding this matter and the owner declined to have an IA attestation completed stating that the Department would have to use the information already received.

Given the liabilities established for other findings, no additional action is required regarding this finding.

Finding #7. Verification Violations

Citation Summary: *34 C.F.R. § 668.51 states that an institution shall establish and use written policies and procedures for verifying information contained in a student aid application in accordance with the provisions of this subpart. These policies and procedures must include –*

- (1) The time period within which an applicant shall provide the documentation;*
- (2) The consequences of an applicant's failure to provide required documentation within the specified time period;*
- (3) The method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's EFC changes and results in a change in the applicant's award or loan;*
- (4) The procedures the institution requires an applicant to follow to correct application information determined to be in error.*

34 C.F.R. § 668.54 states that if an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate, it shall require the applicant to verify the information that it has reason to believe is inaccurate.

34 C.F.R. § 668.55, Updating information, states that an applicant is required to update—The number of family members in the applicant's household and the number of those household members attending postsecondary educational institutions, in accordance with provisions of paragraph (b) of this section; and his or her dependency status in accordance with the provisions of paragraph (d) of this section.

If the number of family members in the applicant's household or the number of those household members attending postsecondary educational institutions changes for a reason other than a change in the applicant's marital status, an applicant who is selected for verification shall update the information contained in his or her application regarding those factors so that the information is correct as of the day the applicant verifies the information.

34 C.F.R. § 668.56(a), Items to be verified, states that an institution shall require an applicant selected for verification under 668.54(a)(2) or (3) to submit acceptable documentation described in 668.57 that will verify or update the following information used to determine the applicant's EFC:

- (1) Adjusted gross income (AGI) for the base year if base year data was used in determining eligibility, or income earned from work, for a non-tax filer.*
- (2) U.S. income tax paid for the base year if base year data was used in determining eligibility.*
- (3) For an applicant who is a dependent student, the aggregate number of family members in the household or households of the applicant's parents if—*
 - (A) The applicant's parent is single, divorced, separated or widowed and the aggregate number of family members is greater than two; or*
 - (B) The applicant's parents are married to each other and not separated and the aggregate number of family members is greater than three.*

34 C.F.R. § 668.57, Acceptable documentation, states that an institution shall require an applicant selected for verification to verify AGI and U.S. income tax paid by submitting to it, if relevant—

- (1) A copy of the income tax return of the applicant, his or her spouse, and his or her parents. The copy of the return must be signed by the filer of the return or by one of the filers of a joint return;*
- (2) For a dependent student, a copy of each Internal Revenue Service (IRS) Form W-2 received by the parent whose income is being taken into account if—*
 - (A) The parents file a joint return; and*

(B) The parents are divorced or separated or one of the parents has died.

Noncompliance Summary: *The reviewers found multiple instances of incomplete verification.*

Student #3: The student's ISIR for 2009/2010 shows five family members with two in college. The student application shows four family members with one in college. The student verification worksheet shows student with one parent only.

Student #7: The student states "non-filer" in relation to taxes but provided no documentation or statement as to income earned.

Student #12: The student's ISIR for 2010/2011 shows three family members with one in college. The student verification worksheet shows two family members with one in college.

Student #20: The parent states "non-filer" in relation to taxes but provided no documentation or statement of income earned. Additionally, the father states he is widowed but is married to student's mother.

Student #22: The student was selected for verification but no tax forms in student's file.

Student #24: The student was selected for verification but no verification documentation in student's file.

Required Action Summary: *The institution was to correct the discrepancies and send the Department proof that the errors had been corrected. If the corrections resulted in a change in funding for the student, the institution was liable for the difference. The institution was to also update its procedures to ensure that this issue was properly dealt with in the future.*

Due to the extensive errors discovered during the review, the institution was to review all of its files for the reviewed award years for all students who were selected for verification to determine if verification for those students was completed and correct. Once the institution completed its file review, it was to provide a list of all students identified by its file review whose verification was not completed or was incorrect.

The institution was to also update its procedures to ensure that these errors do not happen again in the future. A copy of the institution's revised policies and procedures for verification was to be included with the institution's response to the PRR. The institution was to engage an IA to test the file review completed by AOC. In addition, the auditor was to supply a confirmation statement that the file review conducted by AOC was accurate.

AOC's Response: The institution stated that it recognized that it did not accurately satisfy the verification requirements for Title IV funds.

AOC acknowledged that it did not always complete required verification or report accurate verification results concerning the 63 total student files selected and concluded that verification was incomplete for 23 (36.5%) of 63 Title IV recipients. AOC stated that it had disbursed \$139,606.00 in Title IV aid to those 23 recipients.

Final Determination: The institution did not submit an updated copy of its verification policies and procedures as required by the PRR. It also did not provide an IA attestation with its file review as required, rendering the review unreliable. AOC was contacted both verbally and in writing multiple times regarding this matter and the owner declined to have an IA attestation completed stating that the Department would have to use the information already received.

Based upon records the institution had on hand, it was impossible to determine if AOC had properly accounted for Department funds and performed the actions necessary for proper verification of students to determine whether or not they were eligible for Title IV funds. Additionally, by the institution's own admission, it did not accurately satisfy the verification requirements for Title IV funds disbursed to selected students or report accurate verification results.

After requesting multiple extensions, AOC submitted an incomplete response to this finding that this office cannot reasonably rely upon to establish liabilities. Consequently, the Department has determined that AOC is required to pay back 30% of all funds disbursed to students for the 2010 – 2011 and 2011 - 2012 award years to satisfy this finding.

Liabilities	Pell (Closed Award Year)	FSEOG	EALF DL	
AY 2011	\$389,335.00	\$6,400.00		
AY 2012	\$254,050.00	\$2,512.00		
Subtotal	\$643,385.00	\$8,912.00	\$50,582.00	
X30%	\$193,015.00	\$2,673.00	\$15,174.00	
Payable To:				Totals
Department	\$193,015.00	\$2,673.00	\$15,174.00	\$210,862.00

See Appendices E and F regarding liabilities.

Finding #10. Return of Title IV (R2T4) Not Performed/Performed Late/Incorrect

Citation Summary: 34 C.F.R. § 668.22, *General Provisions*, states that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of 668.22.

Furthermore, it also states that the amount of Title IV aid that is earned by a student is calculated by determining the percentage that is equal to the payment period of enrollment that the student completed as of the student's withdrawal date. The school must calculate Return to Title IV refunds pursuant to 34 C.F.R. 668.22 and retain a copy of the documentation in each student's file.

Financial responsibility regulation 34 C.F.R. 668.171, *General Provisions*, states that making refunds to students as prescribed in regulation 34 C.F.R. 668.22 is one of the standards the Secretary uses in determining whether an institution is financially responsible.

Noncompliance Summary: The reviewers found multiple instances where a student withdrew from the institution but an R2T4 calculation was not performed or was not completed within the required time frames.

Student #1: The R2T4 calculation was not correct based on scheduled hours. The use of correct hours shows that no refund is due as student passed 60% enrollment mark. \$4,525.00 was paid to student in Pell/DL.

Student #2: The R2T4 calculation was required but not completed. The student withdrew on 05/10/2011 and notified the school of withdrawal on 05/10/2011. \$9,500.00 was paid to student in DL Subsidized/Unsubsidized.

Student #11: The student left on leave of absence as of 01/04/2011 but never returned. An R2T4 was not completed until 03/22/2011. \$2,775.00 was paid to student in Pell.

Student #15: The R2T4 calculation was not correct based on scheduled hours. The use of correct hours shows that no refund is due as student passed 60% enrollment mark. \$2,775.00 was paid to student in Pell.

Student #19: The student withdrew from school on 03/09/2012 but an R2T4 calculation was not completed until 05/07/2012. \$4,750.00 was paid to student in DL Subsidized/Unsubsidized.

Required Action Summary: In response to this finding, the institution was to review and resolve the discrepancies noted for student #2 listed in the original student sample.

The institution was to complete the R2T4 calculation and return it as part of the institution's response to this finding.

Due to the extensive errors discovered during the review, the institution was to review all of its files for the reviewed award years for all students who withdrew or dropped to determine those students for whom R2T4 funds were calculated. Once the institution completed its file review, it was to provide a list of all students identified by its file review whose R2T4 funds were calculated incorrectly.

The institution was to also update its procedures to ensure that these errors do not happen again in the future. A copy of the institution's revised policies and procedures for R2T4 was to also be included with the institution's response to the PRR. The institution was to also engage an IA to test the file review completed by AOC. In addition, the auditor was to supply a confirmation statement that the file review conducted by AOC was accurate.

AOC's Response: The institution stated that it recognized that prior to the program review that the institution had not developed and implemented sufficient policies and procedures to accurately analyze student account transactions when determining amounts needed to calculate refunds and failed to adequately ensure it made all required refunds and made refunds timely. The institution stated that, since the visit it had developed and implemented revised policies and procedures that have been in full effect since the conversion to the Boston Education Network third party servicing with the 2012 -- 2013 award year.

The Institution claimed to have completed the review of each and every student record that had any inconsistent attendance and/or unofficial withdrawals.

The entire withdrawal portfolio identified 102 students who withdrew for whom there was a failure to calculate a Return of Title IV funds. This resulted in \$94,570.49 of improperly retained and unearned Title IV funds. AOC purported to offset these funds with otherwise eligible and undisbursed Federal Pell Grant funds totaling \$18,389.28 due to students identified. Therefore, the institution recognized that it owed refunds in total of \$76,181.21.

Final Determination: AOC was required to perform a file review to respond to this finding, have the file review attested to by an IA, and submit the results of that review to this office along with the IA's attestation. AOC conducted a file review; however, it was not attested to by an IA and the institution refused to so. The institution was contacted multiple times both verbally and in writing regarding an auditor attestation and the owner informed the Department that decisions would have to be made regarding the finding with what the Department already had on hand.

After requesting multiple extensions, AOC submitted an incomplete response to this finding that this office cannot reasonably rely upon to establish liabilities. AOC is

required to pay back to the Department a percentage of all funds disbursed to students for the 2010 – 2011 award year to satisfy this finding. The percentage of funds to be returned is based upon the school's student withdrawal rates (35% for Pell, 15% for FSEOG and 26% for DL).

Liabilities	Pell (Closed Award Year)	FSEOG	EALF DL	
AY 2011	\$389,335.00	\$6,400.00	\$50,582.00	
Percentages	35%	15%	26%	
Subtotal	\$136,267.00	\$960.00	\$13,151.00	
Payable To:				Totals
Department	\$136,267.00	\$960.00	\$13,151.00	\$150,378.00

See Appendices E and F regarding liabilities.

Finding #11. Leave of Absence Not Monitored/Inadequate Policy

Citation Summary: 34 C.F.R. § 668.22, *Approved Leave of Absence*, states that the number of days in the approved leave of absence, when added to the number of days in all other approved leaves of absence, does not exceed 180 days in any 12-month period. If a student does not resume attendance at the institution at or before the end of a leave of absence that meets the requirements of this section, the institution must treat the student as a withdrawal in accordance with the requirements of this section.

An institution's leave of absence policy is a "formal policy" if the policy –

- A. Is in writing and publicized to students; and
- B. Requires students to provide a written, signed, and dated request that includes the reason for the request, for a leave of absence prior to the leave of absence. However, if unforeseen circumstances prevent a student from providing a prior written request, the institution may grant the student's request for a leave of absence, if the institution documents its decision and collects the written request as a later date.

34 C.F.R. § 682.604(c)(4), *Federal Family Education Loan Program*, states that a school may not credit a student's account or release the proceeds of a loan to a student who is on a leave of absence, as described in 668.22(d).

34 C.F.R. § 668.22, Treatment of title IV funds when a student withdraws, states that when a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of this section.

34 C.F.R. § 682.605, Determining the date of a student's withdrawal, states that except in the case of a student who does not return for the next scheduled term following a summer break, which includes any summer term or terms in which classes are offered but students are not generally required to attend, a school must follow the procedures in 668.22(b) or (c), as applicable, for determining the student's date of withdrawal.

Noncompliance Summary: *The reviewers found instances where students were put on a leave of absence (LOA) but never returned or completed LOA forms, and LOA forms were completed but no reasons were given.*

Student #4: The student was absent from 07/26/2011 – 03/20/2012 with no documentation of a LOA in the student's file. The student shows no hours from 03/20/2012 – 04/10/2012 but attended on 04/11/2012 and 04/12/2012 to obtain remaining hours needed for graduation. The student should have been withdrawn from program due to lack of attendance.

Student #10: The student was on a LOA from 04/02/2011 to 04/27/2011. The form was completed but no reason given.

Student #11: Per student attendance records, student on LOA from 01/04/2011 through 02/28/2011 but no LOA documentation in student file. The student left as of 01/04/2011 and never returned. An R2T4 was completed.

Student #30: The student was on an approved LOA from 01/03/2012 to 05/22/2012. Unsubsidized loan funds were posted to the student's account on 01/18/2012 which is after the student left for a LOA. The student earned funds prior to departure but funds were posted late.

Required Action Summary: *For student #30, the institution was to explain why funds were posted to the student's account several weeks after the student's departure on an approved LOA. AOC was to also update its procedures to be in compliance with federal regulations. The institution was to submit its updated procedures to this office as part of its response to this finding.*

Due to the extensive errors discovered during the review, the institution was to review all of its files for the 2010 – 2011 and 2011 - 2012 award years for all students who were on a LOA to determine if the LOA documentation was completed and correct. Once the

institution completed its file review, it was to provide a list of all students identified by its file review whose LOA was not properly documented or was incorrect.

The institution was to engage an IA to test the file review completed by AOC. In addition, the auditor was to supply a confirmation statement that the file review conducted by AOC was accurate.

AOC's Response: The institution stated that it recognized that during the defined program review period that it had not properly documented requests from students who were not withdrawn and who were not attending according to its published policy. The institution also recognized that during the period in question it did not have adequate policies and procedures to ensure that funds were not disbursed to students who failed to maintain attendance requirements nor were properly on LOA.

The institution claimed pursuant to its file review that only three students in the population of 28 had received any type of Title IV payment while on an unapproved LOA.

Final Determination: AOC was required to perform a file review to respond to this finding, have the file review attested to by an IA, and submit the results of that review to this office along with the IA's attestation. AOC conducted a file review; however, it was not attested to by an IA and the institution refused to do so. AOC was contacted both verbally and in writing multiple times regarding this matter and the owner declined to have an IA attestation completed stating that the Department would have to use the information already received.

After requesting multiple extensions, AOC submitted an incomplete response to this finding that this office cannot reasonably rely upon to establish liabilities. Given that the institution did not provide a proper file review, the liabilities have been estimated by taking the average liability by program (i.e. Pell, Subsidized Loan, Unsubsidized Loan and PLUS) for the award year and averaging the liability over the review sample for that award year. The average liability per the review sample was then multiplied by the population of students for the award year to determine the estimated liability by program for each award year. The Estimated Actual Loss formula was then used to calculate the final liability for the loans.

For 2010 - 2011, the liabilities for the review sample were \$5,500.00 for Pell, \$5,500.00 for Subsidized Loans, \$5,500.00 for Unsubsidized Loans and \$10,000.00 for PLUS loans. To get an average liability per the review sample, these amounts were divided by 15 (number of students in each award year sample) and then multiplied by the population of AOC students (125) resulting in liabilities of \$45,832.00 for Pell, \$45,832.00 for Subsidized Loans, \$45,832 for Unsubsidized Loans and \$83,333.00 for PLUS. Using the Estimated Actual Loss formula the loan liabilities are \$7,130.00.

See Appendices E and F regarding liabilities.

Finding #13. Prior Year Charges

Citation Summary: 34 C.F.R. § 668.164, *Disbursing Funds*, states that an institution may use title IV, HEA program funds to credit a student's account at the institution to satisfy current year charges for—

- (i) Tuition and fees;
- (ii) Board, if the student contracts with the institution for board;
- (iii) Room, if the student contracts with the institution for room; and
- (iv) If the institution obtains the student's or parent's authorization under §668.165(b), other educationally related charges incurred by the student at the institution; and

Prior award year charges for a total of not more than \$200 for—

- (i) Tuition and fees, room, or board; and
- (ii) If the institution obtains the student's or parent's authorization under §668.165(b), other educationally related charges incurred by the student at the institution.

Noncompliance Summary: *The reviewers found that students were being charged the entire amount of tuition for the course upon the start of classes. Current year financial aid was being used to pay charges from the previous award year in amounts greater than those approved by the Secretary per regulation. For example:*

Student #3: The student started classes on 03/09/2010 with total tuition charges of \$16,900.00 being charged to the student for tuition at that time. Title IV funds for the 2010/2011 award year were used in excess of the allowable tolerance of \$200.00 to pay the balance due after she entered the new award year. Funds used were in the amount of \$3,332.00 in Pell, \$3,000.00 in Subsidized Loans and \$1,332.00 in Unsubsidized Loans.

Student #4: The student has a loan period of 03/15/2011 – 09/20/2011; however, funds for the 2011/2012 award year were used to pay the remaining balance left from the 2010/2011 award year. Funds used were in the amount of \$1,332.00 in Subsidized Loans and \$2,332.00 in Unsubsidized Loans

Student #6: The student was initially enrolled 12/13/2005 and withdrew from the school on 04/26/2007. The student left with a balance of \$4,186.00 due to the school. The student re-enrolled 01/20/2011 and the balance due of \$4,186.00 was paid with 2010/2011 award year funds. Funds used were in the amount of \$5,550.00 in Pell, \$2,332.00 in Subsidized Loans and \$1,332.00 in Unsubsidized Loans.

Required Action Summary: *AOC was reminded that the institution may only use up to \$200.00 of current award year financial aid funds to pay prior year charges.*

In response to this finding, the institution was to review all student files for the reviewed award year and determine which students were affected by the payment of current year

financial aid on prior year charges. Once the institution had completed its file review, it was to provide a list of all students identified by its file review to the Department.

The institution was to also update its procedures to ensure that this does not happen again in the future. A copy of the institution's revised policies and procedures was to also be included with the institution's response to the PRR. Additionally, the institution was to engage an IA to test the file review completed by AOC. The auditor was to also supply a confirmation statement that the file review conducted by AOC was accurate.

AOC's Response: The institution acknowledged that it did not have adequate controls in place to ensure that adjustments to student charges on the account ledger are accurate. In most cases, the total charges the institution assessed the student in any academic period, year, or other instructional period, were not properly adjusted or re-entered upon changes in enrollment.

Final Determination: The institution did not submit an updated version of its policies and procedures regarding this matter. AOC was required to perform a file review to respond to this finding, have the file review attested to by an IA, and submit the results of that review to this office along with the IA's attestation. AOC conducted a file review; however, it was not attested to by an IA and the institution refused to so. The institution was contacted multiple times both verbally and in writing regarding an auditor attestation and the owner informed the Department that decisions would have to be made regarding the finding with what the Department already had on hand.

Based upon records the institution had on hand, it is impossible to determine if AOC properly accounted for Department funds. AOC constructed new ledgers for students but a sample check of the new ledgers showed they were not correct.

After requesting multiple extensions, AOC submitted an incomplete response to this finding that this office cannot reasonably rely upon to establish liabilities. Given the Institution did not provide a proper file review, the liabilities have been estimated by taking the average liability by program (i.e. Pell, Subsidized Loan, Unsubsidized Loan and PLUS) by award year and averaging the liability over the review sample for that award year. The average liability per the review sample was then multiplied by the population of students for the award year to determine the estimated liability by program for each award year.

For 2010 - 2011, the total liability for the review sample was \$8,882.00 for Pell, \$63,866.00 in Subsidized Loans and \$33,300.00 in Unsubsidized Loans. To get an average liability per the review sample, these amounts were divided by 15 (number of students in each award year sample) and then multiplied by the population of AOC students (125) resulting in liabilities of \$74,016.00 for Pell, \$63,866.00 for Subsidized Loans and \$33,300.00. Using the Estimated Actual Loss formula the loan liabilities are \$9,935.00.

See Appendices E and F regarding liabilities.

Finding #18. Incorrect Student Ledgers

Citation Summary: *34 C.F.R. § 668.24, Record Retention and Examinations, states that an institution shall account for the receipt and expenditure of title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis — financial records that reflect each HEA, title IV program transaction.*

Noncompliance Summary: *The reviewers found multiple instances where funds were awarded but not posted to student ledgers, loans were miscoded, Title IV funds were drawn down through COD but not posted and Title IV funds were posted to student ledgers but not drawn down through COD. Additionally, initial contract charges were not listed as a debit on any student ledgers.*

Student #4: The student was awarded \$1,195.00 in Workforce Investment Act (WIA) funds. These funds were not posted to the student ledger.

Student #7: The school posted the gross amount of subsidized loan disbursement (\$1,750.00) to ledger for payment on 07/14/2010. The amount actually disbursed to student was \$1,742.00.

Student #18: The student was awarded a \$3000.00 scholarship by the school on 02/21/2012. These funds were not posted to the student ledger nor are they listed as part of the student's award packaging.

Student #19: The student was awarded \$5,550.00 in Pell Grant funds for the 2011/2012 award year. The initial disbursement of \$2,775.00 was posted to the student's ledger on 03/13/2012. However, no Pell funds were disbursed through COD.

Student #29: The student was awarded \$3,500.00 in unsubsidized loans. Both disbursements of \$1,750.00 each were posted to the student ledger on 02/07/2012 and 04/09/2012. However, only one disbursement was drawn down from COD.

Student #30: The student was awarded \$3,500.00 in subsidized loans. The loan was coded as an unsubsidized loan on student ledger.

Required Action Summary: *AOC was required to implement a system that provided a clear audit trail for each Title IV recipient. Student account ledgers must include institutional (to include contract) charges, cash payments, Title IV disbursements, scholarships, credit balance payments to students and return of Title IV funds (if applicable) on one account ledger for each Title IV student. All transactions must be identified by type (e.g. tuition, fees, Pell/DL, cash, scholarships, etc.) and by date.*

In response to this finding, the institution was to submit corrected ledgers for all students listed in the finding. The student account ledgers were to present a clear audit trail for all transactions that have occurred from the student's start date until the student's last date of attendance or last account activity.

For all other student account ledgers in the reviewed award years, the institution was to provide a statement stating the account ledgers have been reviewed and accurately reflect funds that have been posted to and/or refunded from the student accounts. The institution was also to update its procedures on how student ledgers will be handled in the future. A copy of the institution's updated procedures was to be provided to the Department as part of this finding.

AOC's Response: AOC submitted as resolution to the finding, as required, each completed account ledger for the five students that were identified by the Department. These account ledgers purportedly represent the accurate use of tuition, the correct posting of FSA Title IV funds, the identification of the credit balances and/or the reductions in tuition amounts due to withdrawals, and the posting of any Return to Title IV transactions that had occurred.

AOC also produced ledger cards on all accounts for all findings associated with this program review report.

Final Determination: AOC was required to implement a system that would show a clear audit trail for each student which should be reflected on the student's account ledgers in chronological order. AOC was also supposed to provide corrected ledgers for the students cited and was to update its procedures on how student ledgers would be handled in the future.

Based upon records the institution had on hand, it is impossible to determine if AOC properly accounted for Department funds. Ledgers were received for the cited students as well as other students cited in additional findings. However, the ledgers continue to lack posting dates for completed transactions and erroneous information still remains unchanged.

Finding #21. Inaccurate Recordkeeping

Citation Summary: 34 C.F.R. § 668.16, *Standards of Administrative Capability*, states that to begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA.

34 C.F.R. § 668.24, Record Retention and Examinations, states that an institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis—

- (i) Financial records that reflect each HEA, title IV program transaction; and*
- (ii) General ledger control accounts and related subsidiary accounts that identify each title IV, HEA program transaction and separate those transactions from all other institutional financial activity.*

The records that an institution must maintain in order to comply with the provisions of this section include but are not limited to documentation relating to each student's or parent borrower's receipt of title IV, HEA program funds, including but not limited to documentation of—

- (A) The amount of the grant, loan, or FWS award; its payment period; its loan period, if appropriate; and the calculations used to determine the amount of the grant, loan, or FWS award;*
- (B) The date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of FWS wages;*
- (C) The amount, date, and basis of the institution's calculation of any refunds or overpayments due to or on behalf of the student, or the treatment of title IV, HEA program funds when a student withdraws; and*
- (D) The payment of any overpayment or the return of any title IV, HEA program funds to the title IV, HEA program fund, a lender, or the Secretary, as appropriate;*

Noncompliance Summary: *Using the institution's bank statements for the 2010 - 2011 and 2011 - 2012 award years, the reviewers selected four federal fund drawdowns completed by the institution through G5 to test the accuracy and transparency of funds being disbursed. This was also done to show a clear audit trail. The institution could not provide records of disbursement for three of the chosen drawdowns.*

Required Action Summary: *The institution was to submit to the Department the underlying documentation (ie. student rosters/amounts) for the requested G5 drawdowns which should show which students the funds were drawn for. The institution was also to provide student ledgers showing the funds properly posted. The institution was also to update its procedures on the handling of federal funds and submit a copy to this office along with the supporting documentation requested in response to this finding.*

AOC's Response: *The institution agrees that during the period in question, and as identified by the Department, that it did not have adequate controls over journal entry posting or reconciliation. It further claimed, however, that its third-party servicer updated and completed the review of journal entries and the supporting documentation for accuracy.*

Final Determination: AOC was required to provide supporting documentation for the G5 drawdowns chosen by the program review team along with updated procedures and a detailing of student accounts for which the funds were drawn. Although it appears that the Institution updated its procedures for the handling of Federal funds, no supporting documentation was received to support the actual G5 drawdowns made by the school.

Based upon records the institution had on hand, it is impossible to determine if AOC properly accounted for Department funds. The Department cannot determine which students were associated with which drawdown.

After requesting multiple extensions, AOC submitted an incomplete response to this finding that this office cannot reasonably rely upon to establish liabilities. Consequently, AOC is required to pay back to the Department all funds disbursed for the three G5 drawdowns that cannot be substantiated.

G5 Drawdown Date	G5 Drawdown Amounts	Total Liability
10/06/2010	\$15,325.00/\$4,727.00	\$20,052.00
07/19/2011	\$37,601.00	\$37,601.00
10/04/2011	\$10,780.00/\$2,120.00	<u>\$12,900.00</u>
		\$70,553.00

See Appendices E and F regarding liabilities.

Finding #26. Annual Reporting/Campus Crime Report Missing Components

Citation Summary: *34 C.F.R. § 668.46, General Provisions, states that the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (formerly the Campus Security Act of 1990) requires an institution to publish specific crime-related information on an annual basis. The report includes information about a school's security policies and procedures, crime-prevention programs, and campus-crime statistics. The school must distribute this information to all current students and employees and, on request, to prospective students and employees.*

34 C.F.R. § 668.41(e), reporting and disclosure information, states that by October 1 of each year, an institution must distribute, to all enrolled students and current employees, its annual security report described in Sec. 668.46(b), through appropriate publications and mailings.

34 C.F.R. § 668.46(c)(1), Crime Statistics, states that crimes must be reported. An institution must report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of the following that are reported to local police agencies or to a campus security authority.

34 C.F.R. § 668.46(g), Emergency Response and Evacuation Procedures, states that an institution must include a statement of policy regarding its emergency response and evacuation procedures in the annual campus safety report.

Noncompliance: *The school's annual and campus crime reports are missing key components as noted that are necessary for compliance with Department regulations.*

Campus Security: The institution does not have a statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 14071(j)), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address.

Campus Security Required Crime Statistics: The institution only has statistics on burglary and motor theft. The institution is missing the rest of the required components. The Institution must have statistics for all of the below listed categories:

- i. Criminal Homicide*
 - A. Murder and non-negligent manslaughter*
 - B. Negligent manslaughter*
- ii. Sex offenses*
 - A. Forcible sex offenses*
 - B. Non-forcible sex offenses*
- iii. Robbery*
- iv. Aggravated assault*
- v. Burglary*
- vi. Motor Vehicle Theft*
- vii. Arson*
- viii. Liquor Law Violations*
 - A. Arrests for liquor law violations, drug law violations, and illegal weapons possession.*
 - B. Persons not included in part A, who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession.*

Emergency Response and Evacuation Procedures: The institution has none of the required components. The Institution's Emergency Response and Evacuation Procedures must include:

- 1. Procedures to immediately notify the campus community upon the confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees occurring on the campus.*
- 2. A statement that the institution will, without delay, and taking into account the safety of the community, determine the content of the notification and initiate the*

notification system, unless the notification, in the professional judgment of the responsible authorities, compromise efforts to assist victims or to contain, respond to, or otherwise mitigate the emergency.

3. *A description of the process the institution will use to confirm that there is a significant emergency, determine who to notify, determine the content of the notification, and initiate the notification system.*
4. *The positions (titles) of the individuals or organizations who will:*
 - i. *Confirm that there is a significant emergency or dangerous situation as described in (g)(1) of this paragraph;*
 - ii. *Determine the content of the notification;*
 - iii. *Determine when to send the notification; and*
 - iv. *Initiate the notification system.*
5. *Plans to conduct a test of the emergency response and evacuation procedures on at least an annual basis.*
 - i. *A test may be announced or unannounced, but it must be conducted at a time when most of the students, faculty, and staff are expected to be present on campus.*
 - ii. *An institution must document each test, including the date, time, and whether it was announced or unannounced.*

Required Action: *In response to this report, the Institution must address and resolve the issues noted above. The Institution must develop a complete Campus Security Report, policies and procedures according to the requirements in the Federal regulations and submit a copy of its Campus Security Report, policies and procedures to this office. The institution must also provide assurances that this report is distributed to all of its current students and employees and made available to all prospective students and employees.*

AOC's Response: The Academy of Cosmetology submits the following as required to maintain compliance with the citation:

The enclosed Jeanne Clery Act and Campus Crime Statistics Report provided as part of the campus security policy information and campus crime statistics is published annually by the School Director.

AOC provides the following information to all employees and students and is part of the institution's commitment to safety and security pursuant to the requirements of the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act. It is the institution's responsibility and intent to provide a comprehensive report regarding the campus safety and security environment including the incidence of crime. This report summarizes public safety and security requirements of AOC and the Wella Professional School. Provided is the highlights of the required crime statistic concerns available to the students, staff, and employees of the campus community. Crime statistics

for the 2009, 2010 and 2011 calendar years provides the information regarding the number of actions designated as criminal offenses during these time periods. The Jeanne Clery Disclosure of Campus Security Policy & Campus Crime Statistics Report is distributed to every student and employee on an annual basis and is available to prospective employees and students at their request. Employees receive a copy through the campus email system and are also informed that the information is on the school's website. The report is distributed to all students through the Student Handbook and an email sent at the start of October for those attending at the time the report is updated.

It should be noted that the crime statistics included in this publication are organized by locations that are identified as either owned or leased property belonging to AOC or the Wella Professional School. The statistics include incidents involving non-student, non-faculty and non-staff individuals as well as on-campus, non-campus buildings and property and public properties. You may view this file from the website in pdf format or pick up a copy of the report in person at the financial aid office during normal business hours, or have a copy of the report mailed through the United States Post Office.

Final Determination: As a result of these violations, AOC would have normally been required to review and revise its policies and procedures regarding the preparation, publication, and distribution of its ASRs. In addition, AOC would have been directed to use those new policies as a guide for developing a revised ASR that includes all of the consumer protection disclosures required by 34 C.F.R. § 668.46(b) and to submit its draft ASR and policies to the Department for approval. Finally, AOC would have been required to distribute the new ASR to all enrolled students and current employees and provide evidence of that distribution to the Department.

However, because the school has ceased operations and will no longer participate in the Title IV, FSA programs, no policy changes or enhancements to AOC's ASR or its campus security program will be required by the Department at this time.

Notwithstanding this determination, AOC officials are reminded that the exceptions identified in this finding constitute serious violations of the Clery Act that by their nature cannot be cured. As such, AOC is advised that these violations would have to be addressed to the Department's satisfaction before any future application for reinstatement could be considered for approval.

Finding #27. Part 86 Regulations/Drug Free Schools and Communities Act

The purpose of the Drug-Free Schools and Campuses Regulations is to implement section 22 of the Drug-Free Schools and Communities Act Amendments of 1989, which adds section 1213 to the Higher Education Act and section 5145 to the Drug-Free Schools and Communities Act. These amendments require that, as a condition of receiving funds or any other form of financial assistance under any Federal program, an institution of higher education (IHE), State educational agency (SEA), or local educational agency (LEA) must certify that it has adopted and implemented a drug prevention program as

described in this part.

The Federal programs covered by this part include—

- (a) All programs administered by the Department of Education under which an IHE, SEA, or LEA may receive funds or any other form of Federal financial assistance; and*
- (b) All programs administered by any other Federal agency under which an IHE, SEA, or LEA may receive funds or any other form of Federal financial assistance.*

The IHE's drug prevention program must, at a minimum, include a biennial review by the IHE of its program to—

- (1) Determine its effectiveness and implement changes to the program if they are needed; and*
- (2) Ensure that the disciplinary sanctions described in paragraph (a)(6) of this section are consistently enforced. (Authority: 20 U.S.C. 1145g, 3224a)*

Noncompliance: *During the review, it was noted that the Institution does not currently have a Biennial Review Document nor conduct the review as required per Federal regulations.*

Required Action: *The school must submit, as part of its response, a completed Biennial Review Document and give assurances that the review will be conducted in the future as required to determine if program changes are needed and to ensure that disciplinary sanctions are taken as necessary.*

AOC's Response: For compliance with this finding, the Academy of Cosmetology submits updated policies and procedures as required.

Final Determination: As a result of these violations, AOC would have normally been required to develop and implement a substantive drug and alcohol abuse prevention program (DAAPP) that included all of the required elements set forth in the Drug-Free Schools and Communities Act (DFSCA) and the Department's Part 86 regulations. In addition, AOC would have been required to develop procedures for distributing the DAAPP disclosure to all current employees and students enrolled for academic credit. Once the new program materials were complete, AOC would have been required to submit them to the Department for evaluation and approval and then distribute them in accordance with the Part 86 regulations. Finally, AOC would have been required to conduct a biennial review to measure the effectiveness of its DAAPP and produce a detailed report of findings and recommendations for improvement.

However, because the school has ceased operations and will no longer participate in the Title IV, FSA programs, no policy changes or enhancements to AOC's drug and alcohol programs will be required by the Department at this time. Notwithstanding this determination, AOC officials are reminded that the exceptions identified in this finding

constitute serious violations of the *DFSCA* that by their nature cannot be cured. As such, AOC is advised that these violations would have to be addressed to the Department's satisfaction before any future application for reinstatement could be considered for approval.

D. Summary of Liabilities

Liabilities	Pell (Closed Award Year)	FSEOG	EALF DL	
AY 2011	\$389,335.00	\$6,400.00		
AY 2012	\$254,050.00	\$2,512.00		
Subtotal	\$643,385.00	\$8,912.00	\$50,582.00	
Interest/SA	\$14,451.00	\$243.00		
ACA		\$292.00		
Subtotal	\$14,451.00	\$535.00		
TOTAL	\$657,836.00	\$9,447.00	\$50,582.00	
Payable To:				Totals
Department	\$657,836.00	\$9,447.00	\$50,582.00	\$717,866.00

Estimated Actual Loss (EAL):

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loan from the holder, the Department has asserted a liability not for the loan amount, but rather for the estimated actual or potential loss that the government may incur with respect to the ineligible loan or loan amount. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on AOC's most recent cohort default rate available.

The total amount of Direct Loans that AOC improperly disbursed during the 2011 and 2012 award years for all findings is \$784,768.00. The estimated actual loss that AOC must pay to the Department for the ineligible loans is \$50,582.82. A copy of the results of that calculation is included as Appendix F.

E. Payment Instructions

1. Liabilities Owed to the Department

Liabilities Owed to the Department \$100,000 or More

AOC owes to the Department \$717,866.00. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. AOC must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If AOC's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

Any liability of \$100,000 or more identified through a program review must be repaid to the Department via FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of these liabilities.

Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if applicable).

Instructions for completing the electronic fund transfer message format are included on the attached FEDWIRE form.

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. AOC is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to AOC's account representative.

If full payment cannot be made within 45 days of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, AOC has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due AOC from the Federal Government. **AOC may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, AOC must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

F. Appendices

Appendices A – F are attached to this report.

**DEPARTMENT OF EDUCATION
FED-WIRE EFT MESSAGE FORMAT & INSTRUCTIONS**

ABA Number 021030004	Type/Sub-Type	
Sender No.:	Sender Ref. No.	Amount ①

Sender Name (Automatically inserted by the Federal Reserve Bank)

Treasury Department Name/CTR/
TREAS NYC / CTR /

BNF=ED / AC - 91020001 OBI=

Name / City / State:

②

DUNS / TIN:

③

FOR:

④

INSTRUCTIONS

A. Complete circled items 1-4 above as follows:

- ①** Indicate amount including cents digits.
- ②** Indicate Name, City, and State.
- ③** Indicate DUNS Number and Taxpayer Identification Number (TIN).
- ④** Enter the reason for the remittance: Bill Number / Document Number / Other.

B. Provide the sending bank with a copy of the completed form. This form contains other information the bank will need to transmit the FEDWIRE message.

Final Program Review Determination
PRCN #: 201230427939

Appendix A
Student Sample

Appendix A: Student Sample

<u>Student #</u>	<u>Last Name</u>	<u>First Name</u>
1	(b)(6); (b)(7)(C)	
2		
3		
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30		

Final Program Review Determination
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Appendix B
Student Level Funding

2010/2011

CURRENT SSN	LAST NAME	FIRST NAME	DATE OF BIRTH	PELL GRANT	FDL STAFF SUB	FDL STAFF UNSUB	FDL PLUS	FDL GP PLUS
(b)(6); (b)(7)(C)				3700	0	0	0	0
				3700	3000	0	0	0
				2775	3500	3000	0	0
				2775	3500	2000	0	0
				0	0	0	7176	0
				5550	3500	800	0	0
				7400	3500	0	0	0
				7400	3500	0	0	0
				0	1750	3000	0	0
				5550	3500	2000	0	0
				2637	0	0	0	0
				500	0	6000	0	0
				2775	1750	0	0	0
				5550	2332	1332	0	0
				2775	0	0	0	0
				3700	2332	1400	0	0
				3700	0	0	0	0
				5550	0	0	0	0
				1850	2332	4000	0	0
				2775	1750	3000	0	0
				2775	0	0	0	0
				0	0	6000	0	0
				2775	0	0	0	0
				833	1166	2000	0	0
				3700	0	0	0	0
				0	2332	4000	0	0
				5550	3500	2000	0	0
				2775	0	0	0	0
				0	1750	1000	0	0
				5550	0	0	0	0

(b)(6); (b)(7)(C)

0	3500	6000	0	0
2096	1700	400	0	0
7400	3500	5000	0	0
5550	3000	3000	0	0
0	3500	2000	0	0
5550	3500	0	0	0
0	800	0	0	0
3084	1944	3330	0	0
0	0	0	11454	0
2775	1750	3000	0	0
2775	1750	1000	0	0
2775	0	0	0	0
2775	0	0	0	0
0	1750	0	0	0
2775	0	0	0	0
2775	1750	0	0	0
0	1750	3000	0	0
2775	0	0	0	0
0	3500	6000	0	0
1700	0	0	0	0
0	0	1100	0	0
0	2332	0	0	0
0	3500	2000	0	0
2775	1750	2775	0	0
9250	4800	0	0	0
3700	1750	0	0	0
3700	0	0	0	0
5550	3500	0	0	0
2775	1750	0	0	0
2775	0	0	0	0
3532	2332	250	0	0
2775	1750	0	0	0
7400	3500	0	0	0
5550	2332	6000	0	0

(b)(6); (b)(7)(C)

(b)(6); (b)(7)(C)

5550	1750	0	0	0
2775	1750	0	0	0
0	3500	2000	10000	0
0	1166	2000	0	0
3700	1166	0	0	0
1700	0	2000	0	0
2775	1750	0	0	0
3332	3000	1332	0	0
2400	1750	0	0	0
5550	3500	6000	0	0
5550	3500	0	0	0
5550	3500	4000	0	0
5550	3500	6000	0	0
1150	0	0	0	0
2775	0	0	0	0
2775	0	0	0	0
8425	5832	2000	0	0
2775	1750	0	0	0
0	3000	4000	0	0
3700	0	0	0	0
9250	5832	4000	0	0
5550	3500	0	0	0
0	3500	6000	0	0
4625	2913	5000	0	0
5550	3500	0	0	0
5550	3000	1550	0	0
7400	5832	4500	0	0
7400	3500	6000	0	0
2775	1750	2000	0	0
2972	1128	0	0	0
0	4000	0	0	0
0	684	0	0	0
1100	0	0	0	0
4625	2332	1332	0	0

(b)(6); (b)(7)(C)

5550	5832	6000	0	0
2775	0	0	0	0
0	3500	2000	0	0
7400	4666	2000	0	0
3700	0	0	0	0
2000	2332	1332	0	0
7400	3500	6000	0	0
2775	0	0	0	0
4583	0	0	0	0
2775	0	6000	0	0
0	2332	1332	7578	0
2775	3500	2000	0	0
3666	2332	1332	0	0
3700	0	0	0	0
0	1750	1000	0	0
600	0	0	0	0
1700	916	800	0	0
1850	2332	2000	0	0
2775	0	0	0	0
2775	3500	2000	0	0
0	2332	1000	0	0
2775	0	0	0	0
3700	3000	2000	0	0
2775	0	0	0	0
1850	2332	1332	0	0
7400	3500	0	0	0

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124

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389335 237525 184229 36208 0

2011/2012

CURRENT SSN	LAST NAME	FIRST NAME	DATE OF BIRTH	PELL GRANT	FDL STAFF SUB	FDL STAFF UNSUB	FDL PLUS	FDL GP PLUS	
(b)(6); (b)(7)(C)				2775	1750	1750	0	0	
				1850	2332	10000	0	0	
				0	1750	3000	0	0	
				842	0	0	0	0	
				3700	0	0	0	0	
				2775	0	0	0	0	
				5550	1750	3000	0	0	
				5550	0	0	0	0	
				2775	1750	1750	0	0	
				2775	1750	0	0	0	
				1800	1750	3000	0	0	
				5550	1750	3000	0	0	
				950	0	0	0	0	
				2775	1750	1000	0	0	
				2775	1750	3000	0	0	
				2775	0	0	0	0	
				5550	3500	2000	0	0	
				3000	4666	2666	0	0	
				2750	0	0	0	0	
				0	1750	500	0	0	
				2775	1750	1000	0	0	
				2775	0	0	0	0	
				2775	1750	3000	0	0	
				3700	1302	2233	0	0	
				2775	0	0	0	0	
				5550	3500	2000	0	0	
				0	0	2000	0	0	
				2775	1750	3000	0	0	
				2775	0	0	0	0	
				2775	0	0	0	0	

(b)(6); (b)(7)(C)

2775	1750	3000	0	0
2775	0	0	0	0
2750	1750	1000	0	0
0	1166	2000	0	0
2775	0	0	0	0
2775	1628	0	0	0
5550	0	0	0	0
2750	1750	1000	0	0
2775	0	0	0	0
1650	1750	3000	0	0
2775	1750	6000	0	0
2775	1750	3000	0	0
2775	1750	1000	0	0
1850	2332	0	0	0
5550	1750	3000	0	0
3700	4083	4000	0	0
2775	1750	3000	0	0
5550	3500	0	0	0
0	3500	6000	0	0
0	2332	1315	0	0
5550	3500	2000	0	0
4800	3500	2000	0	0
1000	3000	4000	0	0
2775	2332	3332	0	0
2775	1750	3000	0	0
5550	3500	6000	0	0
1433	0	0	0	0
5550	3500	2000	0	0
5550	3500	6000	0	0
3700	1582	2713	0	0
0	1750	1000	0	0
5550	3500	0	0	0
2775	0	0	0	0
1850	0	0	0	0

(b)(6); (b)(7)(C)

5550	0	4800	0	0
2775	1750	3000	0	0
5550	3500	6000	0	0
0	1166	1333	0	0
5550	3500	6000	0	0
1850	2332	0	0	0
2775	0	0	0	0
0	2916	0	0	0
0	1750	0	0	0
1850	1166	2000	0	0
5550	1750	1750	0	0
5550	1750	3000	0	0
5550	3500	2000	0	0
5550	3500	6000	0	0
3700	2332	4000	0	0
0	1750	3000	0	0
2775	1750	3000	0	0
5550	5832	2550	0	0
5550	1750	3000	0	0
0	2332	6000	0	0
0	2333	1700	0	0

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85

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254050	150414	176392	0	0
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Final Program Review Determination
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Appendix C
AOC's Response

Academy of Cosmetology
5117 Dorchester Rd.
Charleston, SC 29418

December 20, 2012

Mr. Christopher Miller, Compliance Manager
US Department of Education
Federal Student Aid, School Participation Team – Atlanta
61 Forsyth Street, Ste. 18T40
Atlanta, GA 30303

RE: OPEID# 03088300
PRCN: 201230427939


Dear Mr. Miller:

I am pleased to present our comments on the following completed analysis to the program review report that was delivered to the institution on July 18, 2012. The enclosed pages to the draft audit report and our response addresses both findings in the audit report as well as describing our proposed corrective actions. This audit reconstruction represented significant actions and costs taken on behalf of the institution and its employees. The institution recognizes that there were issues with the administration of FSA Title IV proceeds during the period defined; however, the institution provides that with the implementation of the HCM2 process and procedures, the changes made in personnel, and the direct implementation of compliant procedures that it has satisfied the requirements of the audit.

The report is being delivered with the focus of the review as a complete reconstruction of the impacted student files. In addition to a complete conversion to a 3rd party servicer that completes and updates all award funds promptly through COD, the institution wishes to express that all current 2012/13 files are in compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The Academy of Cosmetology expresses that it recognizes that as an institution which signed a program participation agreement with the Department for the purpose of disbursing federal student financial aid, it agrees to comply with all Title IV program requirements and to act as a fiduciary over those funds. 34 C.F.R. §§ 668.82(a), (b)(1). We express that with our continued satisfaction of the HCM2 process our staff now clearly meet those requirements and feel that additional actions taken against the institution would be severe in nature. The institution also wishes to express that the completion of the reconciliation of all FSA Title IV funds for award years 2010/11 and 2011/12 were presented and resolved through the 3rd party servicer to the best of the ability of both parties. We respectfully request that the evaluation consider these facts.

Should you or your staff have any questions, please feel free to contact me.

Sincerely,



Sewell Gerberd, President
The Academy of Cosmetology

FINDING #1: Lack of Administrative Capability

The institution recognizes that it has a accountability to document the processes, functions, and, Title IV responsibilities of the various offices with respect to the identification, approval, disbursement, and, the delivery of student aid from any of the approved Title IV programs that The Academy of Cosmetology participates in. The institution had, prior to notification by the U.S. Department of Education, initiated an internal review of compliance issues as it hired and trained a new financial aid administrator. To summarize the issues that have been in transition, The Academy of Cosmetology provides the following as the bullet points of the internal changes being addressed.

1. Interview and hire a qualified person to administer the Title IV Programs and to identify and convert to a more comprehensive 3rd party financial aid servicer.
2. Create and Identify processing concerns and implement adequate Checks and Balances in the internal campus processing of students through the administrative system of Admission, Financial Aid, Education/Training, and, Graduation
3. Identify and address concerns regarding clear determinations of Satisfactory Academic Progress for student that have attendance and completion issues surrounding the program length
4. Identify and resolve file Conflicting Data with the aid of the 3rd party servicer to ensure compliance with all disbursement and R2T4 regulations
5. Work with and resolve prior year 2010/11 and current year 2011/12 Fiscal Reports and Financial Statements with the reconciliation process being transferred to the 3rd party servicer to ensure compliance with all student records
6. Hire an outside consultant to work with the file resolutions during this transition.

The Academy of Cosmetology had determined that irregularities in the administration and evaluation of the students had led to the institution failing to meet and maintain the level of compliance that it previously had during the period of time when the owner's had spent significant time with the staff to maintain the responsibility to identify, evaluate, review, and, to update all student accounts. The Academy of Cosmetology through no malicious efforts had failed to maintain the required depth and dissemination of information to members of the staff as their work related to the cited sections and regulations of the Program Review Report.

It is clearly understood that each department involved with the administration of the academic and financial programs has an accountability to seek out and attain appropriate training to ensure that compliance with all required regulations is adhered to, this process had begun prior to the U.S. Department of Education notification of audit and review.

In order to meet and maintain compliance the Academy of Cosmetology submits the following based on its internal review of operations as directed by the P.R.R. citation.

Financial aid staff:

There is currently one full-time exempt Financial Aid Administrator position that works in both campus locations. The population of the institution does not merit additional staff at this time. She is supported by Boston Education, the contracted third party financial aid servicer.

Boston Education Network [BEN] provides the administrative process of validation of verification, resolution of conflicting data, and, communications to COD. The Boston Educational Network handles all of the Academy financial aid processes through the on-line management portal. All applications for aid submitted via the FAFSA on the web site are processed through BEN where the portal allows for printing of ISIR's, the requesting of eligible disbursements, and, the resolution of verification.

Federal Student Aid Programs:

The institution participates in **Federal SEOG; Federal Pell; Federal Direct Loan Programs.** Access to each program is determined by the financial aid officer's receipt of a valid ISIR from each student who attempts to enroll in the programs offered at The Academy of Cosmetology. Each student is provided access to the program funds as determined by the EFC value from the ISIR. All communications to and from the COD are through the 3rd party servicer for identification and determination of disbursement dates and amounts.

Number of Financial Aid applications evaluated:

The school processes and handles approximately 120 applications per year, and, based on the enrollments is capable of handling the volume and requirements with one person. The current administrative process for disbursement of FSA Title IV funds is through HCM2 reimbursements. The institution prepares all eligible records, coordinates all actions for determination of payment and disbursement amounts with the 3rd party servicer, and, submits complete and accurate records to the file reviewer for payment. The institution has met each requirement to date for compliance with this process.

Number of students who receive Title IV assistance and the amount of funds administered:

Currently enrollment for 2012/13 award year is 35 students, each student has a valid and documented ISIR, and, each student has been processed through HCM2 which ensured institutional compliance.

Type of financial aid delivery system used by the institution:

All students process their FAFSA applications via the web, and, all resulting transactions after the FAFSA had been submitted are processed through Boston Education Network, the destination point for the individual student information report [ISIR] data, and, for the resolution of any discrepant or verification requirements. Each student account is preliminarily awarded based on the estimated EFC value at the time they complete and/or present the output from the FAFSA application. This is done in person and accompanies a discussion regarding eligibility and Direct Loan Entrance counseling. Students are then instructed that their Final Award will be presented after the institution is in receipt of a valid SAR. Students are instructed that they may need to provide additional documents, or, communicate with the IRS for tax information when the SAR data results are received. The Academy of Cosmetology works with a student during this process and assists them where necessary including the proper identification of the Academy of Cosmetology via the school ID# code.

Financial Aid Staff works with all student applicants to ensure correct information is available prior to completion of the FAFSA on the web, and, upon notification of any conflicting or verification items, the staff meets with and reviews the information necessary for submission as a correction to the ISIR via the Web. Copies of the required materials are provided to Boston Education to ensure

compliance with the regulations prior to completion of an award. Boston Education Network communicates via COD on behalf of the Academy of Cosmetology and reconciles the accounts. The Academy will be converting over to the Boston Education Network complete suite of school management solutions Software. With this change the Academy of Cosmetology will be able to interface more clearly the academic and administrative functions as well as advanced reporting features. We anticipate that some of the benefits of this will provide for a more streamlined school management in the following areas, thereby eliminating administrative concerns:

- Track students from prospect to graduation
- Manage business office / bursar federal funds information and functions
- Track student attendance with optional time clock interface
- Track, manage, and, report student satisfactory progress
- Provide more detailed reports for Dept of ED and accreditation requirements
- Simplify the processing of Return to Title IV by incorporation of the software's processing wizard
- Manage pending graduation students to ensure compliance with the Exit process

Financial Aid Disbursement Process:

Student

Completes FAFSA online <http://www.fafsa.ed.gov/>

Financial Aid Office

Receives FAFSA results and works with Boston Education Network to award and package based on eligibility

Student

Completes master promissory note, entrance counseling requirements, and accepts the proposed financial aid award package

Financial Aid Office

Transmits award information to Boston Education Network, updates the expected scheduled disbursement dates in the internal administrative system and provides copies of the enrollment information to the Business Office

Business Office

Applies and posts all receipts of federal student aid to the student accounts as it receives notification through Boston Education Network.

Identifies any overages and or credit balances that need resolution, creates the refund of credit balance log to provide any remaining funds after each academic years' tuition charges is paid in full. A student's Title IV Federal Aid will automatically pay only their current mandatory institutional charges first. IF a student completely withdraws from the Academy of Cosmetology, his/her tuition and fee charges are based on the withdrawal dates determined by the Office of Registration and Records. The Business office will make any adjustments to the charges based on the withdrawal date and the student's class start date.

Adequate Checks and Balances [C.F.R. 668.16(c)]

The Academy of Cosmetology provides that with the changes made in its administrative actions, that documentation to show clear and separate division of responsibility for the administration of financial aid programs are properly divided between the Financial Aid Office and the Fiscal Office. The institution is confident that it has appropriately trained the individuals who are responsible for the Financial Aid and Fiscal Office at the institution. The financial aid and business office functions are housed in Columbia SC office where

permanent records of all student transactions are maintained. All functions involving the administration of FSA Title IV funds are separated between the awarding and the distribution processes. Each office has duties to ensure compliance with the regulations that encompass their administrative duties. The institution has undertaken significant reconstruction of their files and is confident that it is capable of meeting all requirements addressed by administrative capability.

Financial Aid Office

The financial aid office is responsible for the communications of components of the Title IV awarding process. The basic roles and responsibilities of a Financial Aid Administrator (FAA) include:

- the administration of federal, institutional, state, and private funds;
- the awarding of financial assistance to eligible students established by source, and;
- the education and counseling of students regarding financial matters

The Financial Aid Administrator works with other federal agencies (e.g., the Department of Veteran Affairs), or private outside agencies and organizations (e.g., philanthropic and civic organizations).

The Financial Aid Administrator is the primary contact for information and therefore meets with and discusses the types and the amounts of aid available to all students who qualify. They provide access to web www.fafsa.ed.gov where all applicants are able to complete their FAFSA data requirements, receive explanations on the process, complete Master Promissory Notes, review and complete the loan entrance requirements, and, make changes to a student aid report. During this process the financial aid administrator explains the awarding and securing of federal student aid funds, the issues with verification of data, the use of the IRS data match tool, and, any issues that could delay or remove their eligibility. Students are made aware of the academic progress requirements and the attendance graduation requirements as they relate to the receipt of and use of federal aid.

The Financial Aid Administrator works with the academic staff to review and evaluate student performances to ensure that only eligible students are cleared for disbursements. The administrator has access to review and print the required attendance, ledger cards, and, student grades to ensure compliance with the regulations regarding the use of federal aid.

The Financial Aid Administrator is responsible for the administration of all federal dollars in aid at the Academy of Cosmetology and they are also responsible for reporting how funds were awarded through the required annual Fiscal Operations Report and Application to Participate (FISAP) report completed for Department of Education and continued access for Title IV aid. This is done in conjunction with Boston Education Network administrative staff.

Fiscal or Business Office

The Business Office is responsible for all posting transactions for any and all student payments, Federal Student Aid, resolution of credit balances, and, notification of deficient funds prior to graduation.

The Business Office provides the management of both federal and nonfederal financial aid programs while ensuring that all activities associated with student receivables are safeguarded with the properly cash handling procedures.

The Business Office works with the information provided by financial aid and by Boston Education Network to ensure timely distribution of federal aid is adhered to. The business office receives clearance notices from financial aid on student awards prior to the posting and distribution of Title IV funds.

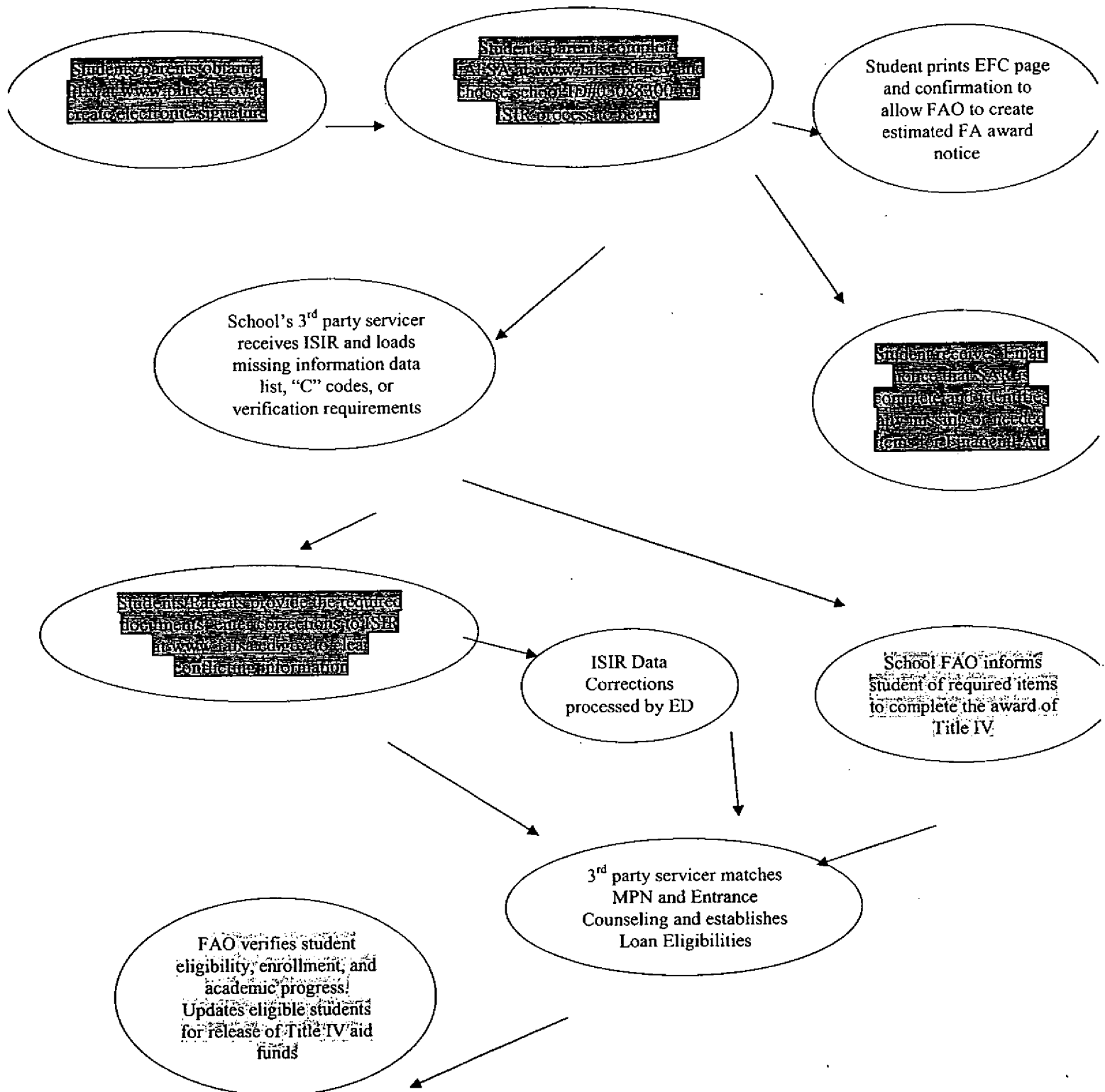
The Business Office processes all adjustments to tuition, materials, and/or other charges in the event a student withdrawals and reports the changes in the charges to the financial aid office for updating awards and completion of the Return to Title IV process. The business office provides student account balance information to the placement advisor to ensure student's are aware of any overages or charges pending on their account prior to graduation. The business office reconciles the Title IV expenditures with Boston Education to comply with the reporting requirements of the Department of Education. The business office also ensures that students fill out a FERPA waiver to permit designated people to discuss their account information with the staff of the Academy.

Describe the organizational structures of the business office and financial aid office:

There are only two persons working in the administration and delivery of FSA Title IV funds, they are supported by the team at Boston Education Network. The financial aid administrator handles the intake application process, the resolution of verification and other conflicting data as identified, and, the identification of eligible students for payment of Title IV awards. The business office manager maintains the posting and updating of all student ledger transactions, the identification of all tuition charges and refunds, and, maintains the bank accounts related to the federal funds. The two persons work together on resolving credit balance issues, withdrawals, and Returns to Title IV as required. Boston Education Network provides the communications for the institution to and from COD and CPS for all transactions related to the delivery of Title IV proceeds for awarded and approved students. The 3rd party relationship provides a level of compliance that requires all transactions to be approved upon completion and prior to the delivery of Title IV funds. The current circumstances regarding the placement of the Academy on HCM2 has further enhanced the institution's controls and has improved their file competencies.

The financial aid office is open Mondays – Fridays from 9am to 5:30pm with additional hours on Saturdays as required by institutional events and student enrollments.

The financial aid Application process required for ALL types of Federal Student Aid.



The BLUE shade steps require student/parent action.
The YELLOW shade steps involve the Financial Aid Office.

TO COMPLETE THE PROCESS AT: <http://www.fafsa.ed.gov/>

Students will need the following:

- Social Security Number
- Driver's license (if any)
- W-2 Forms and other records of earnings
- Student (& your spouse's, if married) Federal Income Tax Return
- Parent's Federal Income Tax Return
- Any untaxed income records
- Alien registration card (if you are not a U.S.citizen)

The financial aid office and the distribution of FSA Title IV aid and awards is supported by the entire school. Being that the Academy of Cosmetology is a small school the entire institution works together. Admissions communicates the information gathered from new student applicants and during orientations, the Director of Education and faculty communicate concerns over attendance, grades, and student progress, while the Director of the School works with the entire program to ensure advertising, clinic floor operations, emergency procedures, and, the safety of the school is compliant. The business office and financial aid office maintain the integrity of the electronic records while the Director of Education ensures integrity and safety of the academic files.

The financial aid office currently is resolving both a US Dept of ED program review which has involved the entire school, created the necessary policy adjustments and changes to procedures, and, has provided for training necessary to ensure a compliant school. The education staff is currently undertaking the Self-Evaluation and Self-Study process required by Accreditation to ensure that the institution meets their requirements to maintain its association with NACCAS. A complete application for renewal of accreditation and the required internal examination of process has been on-going throughout 2012.

To provide evidence that the Academy of Cosmetology meet the Adequate Staffing [C.F.R. 668.16(b)], it hereby provides that the following offices are involved in all aspects of administration for the Federal Student Aid programs, including the approval, disbursement, and awarding of any Title IV Aid program.

Under each identified position is a short description of each offices and their involvement at the Academy of Cosmetology:

School Director

☐ Employee job duties and staff functions

JOB DESCRIPTIONS

Job Title: Executive Director

Academy of Cosmetology Employment Status: Exempt

Immediate Supervisor (Title): Creative Education Solutions, LLC

SUMMARY OF EXPECTATIONS

As Executive Director you will be responsible for the overall general operations, administration and management of the campus. The Executive Director will have full responsibility of P&L for school operations, and, will drive profitability by managing inquiries, retention, attendance, salon sales, licensure, and maintaining an appropriate school environment to ensure student success. The Executive Director will provide vision, leadership, and direction to the educational team, ensure appropriate placement activities are designed, and, represent the school in the community.

NATURE OF WORK

Successful operation of Academy of Cosmetology requires competent administration *that*, by the nature of the position, provides the instructional leadership direction, the management of the day-to-day activities in the school, and the image of the program graduates in the community. The Executive Director has oversight of the educational programs offered at Academy of Cosmetology, the defined job positions and the training and development of staff, and, the involvement of the school with community service organizations. As the lead administrator of the school the director also supervise the education managers, support staff, teachers, admissions representatives, financial advisors, librarians, and other employees. The director takes the lead in the development of:

- the academic programs,
- monitors students' educational progress and reviews disciplinary issues,
- identifies the requisite training and product demonstrations that develops and motivates teachers and other staff,
- manages the focus of the career planning and job placement program,
- directs the academic and attendance probation counseling and other student services,
- oversees the administration of the recordkeeping, prepares the outline of the school budgets, and perform many other duties, and,
- handles relations with parents, prospective & current students, employers, and the community

As the lead administrator the Executive Director sets the academic tone and work actively with teachers to develop and maintain high curriculum standards, ensure that the school and its programs deliver on the mission statement, and, establishes the performance goals and objectives.

The Executive Director routinely confers with staff to advise, explain, or answer procedural questions, hire and evaluate teachers and other staff, visit classrooms, observe teaching methods, review instructional objectives, and examine learning materials. As the lead administrator, the

director must use clear, objective guidelines for teacher appraisals, because their pay often is based on performance ratings. The director is also expected meet with other administrators outside of the school environment along with parents and representatives of community organizations. The director also has the decision making authority in setting school policies and goals, but when making educational decisions, they must pay attention to the concerns of advisory board, the teachers, and, other members of the community related to the cosmetology business. The director must at all times ensure that students meet national, State, and local academic and accreditation standards.

The Executive Director develops partnerships with local businesses and school-to-work transition programs for students, and, must be sensitive to the needs of a rising number of non-English-speaking students and a culturally diverse student body.

As the director you are responsible for:

- planning for each fiscal year,
- overseeing school growth and classroom needs,
- participating in workshops for teachers and administrators,
- supervising building repairs and improvements, and, most importantly,
- working to make sure that the school maintains compliance with all regulatory issues during each year

The Executive Director must be aware of students' emotional welfare as well as their academic achievement. As a result, the Executive Director faces responsibilities outside of the delivery and management of the academic programs. To support these students, and their families, the Executive Director must work with the education manager and define the needs for before- and after-school child care programs nearby, or, family resource centers, which also may offer parenting classes and social service referrals. With the help of community organizations, The Executive Director may need to direct and established programs to combat increases in crime, drug and alcohol abuse, and sexually transmitted diseases among students.

Registrar / Head Academic Instructor:

☐ Employee job duties and staff functions

JOB DESCRIPTIONS

Job Title: Registrar / Head Academic Instructor
Academy of Cosmetology Employment Status: Exempt
Department: Education/Training
Immediate Supervisor (Title): Director of Education

SUMMARY OF EXPECTATIONS

Provide leadership to plan, organize and manage all of the activities related to Student Academic and Clinical Records, including serving as the official authorized keeper of the Academy of Cosmetology student records.

NATURE OF WORK

Assist in the Hiring, supervising, and, evaluating of the instructional and clinical staff; organize and administer the student records, semester registration and pending student graduation functions, including transcript evaluations, specific admissions forms review, and any nursing specific certification processes in order to provide maximum service to students while ensuring efficient and effective workflow.

SPECIFIC RESPONSIBILITIES

- Participate and serve as part of the Academic Team.
- Lead student service project initiatives as determined by the Director of Education.
- Supervise the coordination, evaluation & certification of all graduation applications, and direct the graduation process to include all elements of the rehearsal and ceremony
- Responsible for collecting, recording, maintaining and reporting of student records within FERPA guidelines, e.g., grades, registration data, transcripts, mid-term verification, clinical eligibility and annual audits
- Provide leadership and develop appropriate recommendations for the implementation of related technology in support of clinical and classroom services offered
- Assist with the development of and the administration of the departmental budget
- Assist with the student problems research, analysis and resolution of student conflicts and disputes as they relate to records and academic performance
- Collaborate with administrators, Executive Director, faculty, IT and financial aid to facilitate and improve services to students, including catalog and registration/records policy questions

ADDITIONAL RESPONSIBILITIES

This job description is not intended to be all inclusive and the employee will also perform other reasonably related duties as assigned by the Director of Education.

Participate in professional development activities and serve on committees that support the goals and objectives of the division of the programs.

Provide back-up for records and registration services, including registering students, issuing transcripts, answering phones, scanning, reporting grades and working special events.

Admissions Personnel:

☐ Employee job duties and staff functions

JOB DESCRIPTIONS

Job Title: Admissions Representative
Academy of Cosmetology Employment Status: Exempt
Department: Admissions
Immediate Supervisor (Title): Executive Director

Position objective:

Admissions representatives provide prospective students with school and program information in hopes of attracting them to the school. Representatives provide both advisory and customer service roles by providing information and direction, as well as promptly answering all questions in order to ensure student satisfaction. The objective is to interview students, applicants and/or parents upon inquiry and/or admission to our school, maintain and record personal information, and, secure required documentation to present applicants for acceptance prior to the required signatures to complete the admission process.

Areas of responsibility:

Admissions representatives guide school applicants through the application and admission process by helping them to assess their skills, education and career goals in order to choose the best college and education program. Admissions representatives may connect with prospective students by answering incoming phone calls, responding to Web inquiries, attending college fairs and visiting high schools. Once there is a prospective applicant, an introductory assessment is completed with a campus interview. During the interview, the representative evaluates the applicant qualifications, past experiences and objectives.

The Admission representatives are required to explain academic programs and answer any inquiries regarding applications, enrollment, courses and financial aid. Additional responsibilities include:

- the recording of information into a database,
- follow-up with applicants to update statuses and answer any new questions,
- give tours and lead general information sessions about their campus

Qualifications and Experience:

- Ability to effectively communication in person and in writing and be able to speak publicly
- Should possess high energy, attention to detail, and the ability to organize effectively
- Familiarity with lead generation software and experience with data entry and management

Specific Responsibilities include but are not limited to:

- Meet enrollment goals for each start profile
- Travel on behalf of the Academy for open-houses and other school related events
- Speak publicly to individuals, groups on and off site
- Develop and maintain close working relationships with key school constituents
- Assist with the development and maintenance of the admissions office's recruitment and marketing plan with the purpose of promoting Academy of Cosmetology visibility
- Assist in the development, maintenance and execution of the department's communication plan to prospective and admitted students
- Evaluate and assist with admission decisions on applicant files

Skills of an admissions representative include but are not limited to:

- Experience with in-person appointments, phone calls and emails
- The ability to review application essays and other materials submitted
- Possession of advanced computer skills, particularly using specific software programs needed in compiling records
- Excellent oral and written communication skills; interpersonal skills; effective customer service abilities; and, a strong knowledge of the functions and policies of the institution

Specific work elements of the job as an admissions representative include:

- Be able to evaluate each prospect regarding their attitude, aptitude and motivations to enter into Academy of Cosmetology and the body wellness industry by conducting individual evaluations done subjectively and primarily via personal interview as well as objectively via formal entrance examination.
- Identify and request assistance from any appropriate staff may be necessary to assist with the examination process
- Self directed focus and commitment to excellence in the recruiting, evaluating and interviewing students and/or parents interested in the institution;
- Consistently meeting and exceeding all goals assigned in the areas of phone calls, appointments, interviews, enrollments and starts as evaluated by the Executive Director
- Actively seek to provide assistance to students as their needs relate to explaining institution's policies, identifying areas of concern & providing guidance;
- Consistently prove and lead by example that customer satisfaction is our highest goal while guiding new applicants through the admissions process

Work Environment

The admissions representative will be in motion for much of the day, addressing incoming calls, scheduling of appointments, following up on students, rescheduling interviews, and, touring the facility with prospective applicants. The admission representative is expected to provide a detailed report of daily goals and accomplishments, weekly schedule of activities, and updates as to performance against monthly expectations. This position requires both flexibility and attention to detail with a positive attitude.

Financial Aid Personnel:

☐ Employee job duties and staff functions

JOB DESCRIPTIONS

Job Title: Financial Aid Administrator
Academy of Cosmetology Employment Status: Exempt
Department: Financial Aid
Immediate Supervisor (Title): Executive Director

This position reports directly to the Executive Director with supervisory responsibility for the financial aid staff. The Financial Aid Administrator is responsible for the oversight and administration of Title IV programs. These responsibilities include:

- planning and administration of student financial aid programs to ensure compliance with federal, state, and institutional rules and regulations;
- implementation of policies and procedures relating to student financial aid;
- training of student financial aid personnel and follow-up to ensure compliance with Federal, State and Institutional policies and procedures; maintaining required records, and;
- completing reports within prescribed deadlines as required by the federal financial aid programs

DUTIES AND RESPONSIBILITIES:

The Financial Aid Administrator provides delivery, direction, and supervision of the financial aid process and is directly responsible for the administration of federal, state, private, and institutional financial aid, and, functions as point of contact for all financial aid resources for the student

Accountabilities include but are not limited to the following:

- Advising students regarding all aspects of their financial need including need analysis and award calculations using federal, state and institutional policies and procedures.
- Processing and monitoring of documents to ensure expeditious processing of FASFA aid applications and ISIR/ESAR/SAR.
- Ensure accurate disbursement of federal and institutional funding.
- Certification, processing and monitoring of documents to ensure expeditious receipt of student and parent loans offered through the Federal Direct Loan (FDLP) program.
- Oversight of federal and institutional verification policies and procedures.
- Oversight of federal and institutional financial aid transcript policies and procedures.
- Conducting entrance presentation at student orientation and exit interviews as per federal and institutional policies and procedures.
- Review financial aid student files and documents to determine accuracy of a student's eligibility for state, federal and institutional aid prior to the students class start.
- Responsible for reviewing satisfactory academic progress reports provided by education for all aid recipients.

- Coordinate and monitor electronic data entry, transmission, retrieval and reconciliation with 3rd party servicer.
- The training and development of any/all student financial aid personnel and follow-up to ensure compliance with federal, state, and institution policies and procedures.
- Completion and maintenance of required records and reports within prescribed deadlines as required by federal, state and institutional policies and procedures.
- Coordinate and monitor accurate award payment schedules and communications between school and servicer to ensure accurate dates and amounts of awards posted.
- Complete and retain accurate lender notification and materials.
- Coordinate with the School Director and Fiscal Officer to ensure proper disbursement of federal funds. Monitor retention of required documentation.
- Coordinate and monitor institutional campus based policies and procedures.
- Assist students and parents with financial aid questions and issues.
- Review of student files prior to the student's last day of attendance to ensure that all areas of documentation and federal, state and institutional compliance have been met.
- Accurate and timely completion of general ledger reconciliation reports.
- Other duties as assigned.

Fiscal Office Personnel:

☐ Employee job duties and staff functions

JOB DESCRIPTIONS

Job Title: Business Office Manager / Student Accounts
Academy of Cosmetology Employment Status: Exempt
Department: Finance
Immediate Supervisor (Title): Executive Director

Job Summary: Under general direction of the controller/CFO, this position oversees the day to day operations of student accounts; responsible for student tuition and fee assessment, tuition billing, tuition collections, student withdrawal tuition refund process, third party billing, short term loan establishment and administration, preparation and mailing of 1098T tax forms, and administration of the online bill payment suite; reports and processes oversights including job submissions, quality control, and set-up for detail and fund codes associated with student billing.

CHARACTERISTIC JOB TASKS AND RESPONSIBILITIES

May include any and/or all of the following:

1. Responsible for updating internal student accounts receivable tables, running account receivable processes, validating output of student account processes, inputting appropriate detail codes, monitoring and updating the electronic bill payment suite, and troubleshooting for system related inquiries.
2. This includes but is not limited to processing of all tuition and fees, collection activities and compliance with the "Fair Debt Collection Act," financial aid disbursements, negotiation of student loan checks, receipting, disbursement and return of electronic funds.
3. Supervises and trains staff on accounts receivable issues to ensure satisfactory customer service.
4. Serves as liaison with the business office cashier area, information technology issues, between the CFO, Financial Aid, and the Registrar; serves on management team for accounts receivable issues.
5. Communicates and assists students, parents, and others concerning student accounts issues.
6. Researches and develops process improvements which contribute to overall departmental initiatives.
7. Performs other duties as assigned.

Placement Officer Personnel:

☐ **Employee job duties and staff functions**

JOB DESCRIPTIONS

Job Title: Placement Director

Academy of Cosmetology Employment Status: Exempt

Department: Education

Immediate Supervisor (Title): Executive Director

This position reports directly to the Executive Director with supervisory responsibility for the office administrative staff. The Placement Director is responsible for the oversight and administration of student graduation requirements, testing and certification procedures, and employment development opportunities. These responsibilities include:

- planning and administration of student graduation readiness and certification testing programs to ensure compliance with federal, state, and institutional rules and regulations;
- training of faculty and personnel as it relates to State Certifications to ensure compliance with policies and procedures;
- maintaining all employment documentation and required records, and;
- completing reports within prescribed deadlines as required by accreditation

DUTIES AND RESPONSIBILITIES:

The Placement Director provides delivery, direction, and supervision of the training to employment process and is directly responsible for the administration of pre-testing and preparations of the State required certification programs, and, functions as point of contact for all student graduates, employers, and, community events.

Accountabilities include but are not limited to the following:

- Represent the Academy at community and campus events, in meetings with other institution personnel, and during accreditation processes.
- Promote the Academy by participating in community, state, and national events or meetings, and developing partnerships within the industry.
- Formulate strategic plans for the Academy as it relates to salons, industry, employer options, and, employment opportunities by making contacts with prospective employers.
- Provide assistance to faculty and staff in duties such as teaching classes related to employment, certifications, or, examination monitoring, including, conducting orientation programs, issuing transcripts, and scheduling events.
- Direct and participate in Academy fundraising activities, and encourage alumni participation in such activities.
- Establish and maintain relationships outside the Academy by developing constructive and cooperative working relationships in the industry, by soliciting on site involvement with the advisory board committee, and, by conducting surveys to gather labor market information, such as prevailing wages, hours, training, and employment possibilities.
- Provide consultation and advice to students by providing guidance and advice as it relates to employment opportunities and the certification process-related topics.
- Other duties as assigned.

Campus Security Personnel:

☐ Employee job duties and staff functions

JOB DESCRIPTIONS

Job Title: Campus Security Officer

Academy of Cosmetology Employment Status: Non-Exempt

Department: Education

Immediate Supervisor (Title): Executive Director

Position objective:

Under direct supervision of the Executive Director will assist in the control and direction of traffic; maintain safe conditions on campus; patrol and guard campus property, buildings and grounds; and perform other related work as required.

Areas of responsibility:

- Essential Functions Maintain radio communication with law enforcement agencies as directed.
- Provide a uniformed presence for the safety of students, employees and visitors.
- Expedite traffic and traffic flow on campus.
- Issue citations for parking violations.
- Patrol and provide security for campus buildings and grounds and guard against crime, including theft and vandalism.
- Investigate complaints and incidents according to established procedures.
- Provide security escort services as requested.
- Check doors and windows for security; lock doors and turn out lights.
- Watch for and report fire hazards and unsafe conditions to the proper authorities.
- Immediately report fires and accidents to the proper authorities.
- Assist police and other emergency responders as necessary.
- Prepare incident reports, log calls, and, complete record keeping as required.
- Respond to dispatcher and other requests for service.
- Perform other related duties as assigned

Finding #2: Inaccurate COD/Ledger disbursement dates

Guidance on the following two processes: making disbursement adjustments to William D. Ford Federal Direct Loan (Direct Loan) awards

Pending disbursement

Required as part of the loan origination record and must total loan amount on initial submission

No need to change amount or date until ready to submit as actual disbursement

- ☐ Disbursement Release Indicator = TRUE
- ☐ Drives Funding
- ☐ Impacts award and reconciliation
- ☐ Date starts several 'clocks'
- ☐ 30 day reporting requirement
- ☐ Funding increase for Pell and increases for DL that exceed current available balance
- ☐ Interest charged on loans
- ☐ Origination Fee and upfront interest rebate

Why would you want to adjust an actual disbursement?

- ☐ Borrower returns funds
- ☐ Borrower withdraws or is a no-show
- ☐ Disbursement sent in error
- ☐ Error in amount or date

we are assuming that an adjustment is being made to an **actual** disbursement, meaning it has been submitted and accepted by the Common Origination and Disbursement (COD) System with a Disbursement Release Indicator (DRI) set to "True."

how a change may impact the disbursement date and its impact on the interest calculation. The process by which schools accomplish the disbursement adjustment is through the 3rd party servicer software product.

The accuracy of the disbursement date is critical, since this determines the date on which interest begins to be charged. The disbursement date must be reported as the date the funds were disbursed to the borrower by posting funds to the student's account at the school or paying the borrower directly (via check or other means.) The disbursement date should only be changed when the originally reported disbursement date is incorrect.

disburses additional loan funds later during the same loan period.

Example 2: You made the first disbursement of \$1,313 on 9/15/10, but inadvertently

reported the disbursement date as 8/30/10. Correct the error by adjusting the first disbursement date to 9/15/10. Interest will be recalculated from the date that the borrower actually received the loan funds.

An adjustment to an actual disbursement amount is treated as if it occurred on the date of the original disbursement. The date the disbursement adjustment is made is not reported to the COD System.

Adjustments can be made to a disbursement with a status of R (Ready to send to COD), B (Batched to send to COD), or A (Accepted by COD); however, before making any additional disbursements or adjustments, you should ensure that all prior disbursements and adjustments have been accepted by the COD System (disbursement status = A) and that responses have been imported into EDEExpress.

Using EDEExpress, you can make as many adjustments to actual disbursement dates as you need. As with other changes to a disbursement, you need to open the record requiring modification, select the Disburse tab, and verify that the disbursement status will allow you to make an adjustment.

The current actual disbursement needs to have the #/Type field set to D (Disbursement entered using Gross or Net amount), and the Disbursement Status field set to A (Accepted by COD), R (Ready to send to COD), or B (Batched to send to COD). However, before making any additional disbursements or adjustments, you should ensure that all disbursements and prior adjustments have been accepted by the COD System (disbursement status = A) and that responses have been imported into EDEExpress.

To change the disbursement date, you first need to select the disbursement requiring the adjustment in the Disbursement # field.

Then, you need to apply an action to the selected disbursement. To adjust the disbursement date, select Q (Adjusted Disbursement Date).

When you select Q in the Action Disbursement Type field, the Disbursement Date field is enabled and the Disbursement Amount field is disabled. Enter the new disbursement date in the Disbursement Date field and choose the Add Disbursement button.

A new row (Sequence # 2) will be added to the Disbursements grid and will list the date change and a #/Type field value of Q. Like all disbursement adjustments, the date change needs to be transmitted to the COD System for processing. The status is R (Ready to send to COD). The next time you export a common record file, this record will be included. EDEExpress also updates the Action Date field with your current PC system date by default, although you can change the date if needed..

Internal Reconciliation

☐ Business office records of funds requested, received, credited (posted) and/or returned are compared to Financial aid office records of funds disbursed

☐ External Reconciliation

☐ Comparison of reconciled internal school records to ED's official record of grants or loans originated and disbursed

Finding #3 Excess Cash Maintained

The Academy of Cosmetology concurs with the finding on the basis that the school did not reconcile students' financial aid awards with the actual date of disbursement used in administration of the Title IV funds on the students' accounts. The financial aid department identified the loan period for each student, established a disbursement date as calculated by the loan period for dates defined by the 0-450 and 451-900 clock hours for each student. Prior to conversion to Boston Education Network [BEN] the financial aid department would identify students' awards to be released through EDExpress identifying those students who were eligible to be paid. The release of the funds was done, however; the institution failed to update the release date to the date funds were requested. This failed procedure has been identified by the US Department of Education reviewers as being a failure to post FSA Title IV funds timely in accordance to 34 CFR 668.16 as cited. The institution, by means of removing the disbursement process from the financial aid office and coordinating the disbursements with Boston Education Network, has rectified this concern. It has been shown that all funds paid through the HCM2 process currently being administered are accurate and reflect the correct dates as required by the citation. The Academy of Cosmetology recognizes that all funds disbursed by normal disbursement rules must be addressed and applied to appropriate student accounts by the 3rd business day by the business office, or, for reasons of ineligibility, return said funds to the federal government promptly.

The Academy of Cosmetology did attempt to reconcile all accounts when transfer of administration of COD records was done with Boston Education Network, however, the entire portfolio was not adjusted to reflect each disbursement date. Each account listed in the audit report for the period of 2011 and 2012 calendar years has had appropriate disbursement date changes completed and noted on the account cards, information provided to Boston Education to update and adjust through COD the disbursements in question, and to reconcile any remaining information on the Direct Loan School Account Statement (SAS) during the audit period.

The Academy of Cosmetology is certain that all reported loan disbursements from the period of 2012 March 1st through current date are accurate and reflect the true disbursement dates from COD to individual student accounts. The institution is confident that the close of each quarter during the partnership with Boston Education that all loan data is consistent with the cash summary and cash detail report from the Direct Loan Servicing System. This information is verified by Boston Education Network during the administration process of HCM2 and will continue throughout the contracted arrangement.

The Academy of Cosmetology recognizes the need for accurate disbursement dates for all loan disbursements due to the payment of interest and accrual of interest on each account is defined by the date used by the institution. The Academy of Cosmetology is confident that this type of concern listed in the finding will be resolved and that all 2012 disbursements will be properly reconciled to their financial records.

The Academy of Cosmetology declares that upon implementation of the new policies and procedures it will prevent the problems identified in this report.

FINDING #4: Financial Aid Need Exceeded

The Financial Aid Office determines a student's financial aid eligibility by subtracting the Expected Family Contribution (EFC) located on the student's ISIR from the budgeted Cost of Attendance (COA) for the program offered at The Academy of Cosmetology. The information that is reported on a student's FAFSA is used in the formula as established by Congress and is the sole determination factor for the identification of a student's EFC value. The COA that is used in each student's financial aid package as defined by the current actions performed by Boston Education in conjunction with the delivery of federal student aid meets the requirements as set forth by cited Higher Education Act, Sec. 472 and the C.F.R. 668.603 where each financial aid package is properly based upon the clock hours in each award year and reflects published standard and reasonable costs as required.

The tuition and fee component in the COA is a standard amount based on full-time enrollment for the clock hour programs offered and is directly derived by the total # of hours a student is scheduled for divided by the cost of the program in its entirety. Simplified, a 1500 clock hour program with a \$15,000 tuition price has \$10/hour charge for each clock hour scheduled. The total amount of charges however can vary slightly due to additional charges of excessive hours of study and or other fees as defined and assessed by the school. The Academy of Cosmetology recognizes that in all student cases, including this cited student, that the total amount a student is awarded cannot exceed the cost of education.

The student in question identified as Student #4 (b)(6); (b)(7) did in fact have an inaccurate COA used in determination of the Loan Eligibility as identified by the US Department of Education reviewers. The corrected cost of attendance for the Wella Professional School campus location should have been listed as \$25,900.00 and though that amount would not have provided for Subsidized Stafford Direct Loan proceeds, it would have provided adequate costs to ensure that the full amount of FSA Title IV awarded would not exceed the published COA. Based on the following disbursement of funds for the program with a Tuition Cost of \$15,000; Books/Kit costs of \$1,800; fees of \$100, the direct costs to the student equaled \$16,900.00. The additional costs within the COA budget for the 2010/11 AY as used in the determination of eligibility for this student were \$6,000.00.

The student in question would not have had an over-award situation based on the correct use of the COA budget as provided, however, the institution and its management agree that the aid awarded should not have contained Subsidized Stafford Direct Loan proceeds in awarded financial aid package.

The Academy of Cosmetology respectfully requests that the adjustments to the appropriate funds be made as a result of this submission and that the student's loan record correctly reflect that Un-Subsidized and PLUS loan proceeds are in repayment.

We have taken extra strides in our communication to students upon transferring 3rd party servicing to Boston Education to ensure that students do not confuse the cost of attendance with the actual cost of attending the academic programs.

The conversion of the 3rd party servicing had taken place prior to the notification of a program review and reflects the institution's efforts to return to compliant operations in this area. The Academy of Cosmetology recognizes that the federal government requires Financial Aid Offices to establish a cost of attendance (COA) when calculating any student's eligibility for need-based aid programs. The financial

Finding #5: Early / Late disbursement of Funds

The institution recognizes that it did not always disburse Title IV, HEA program funds in accordance with Federal regulations or institution policy, and, that it had made disbursements prior to the determination of the students being eligible to receive them. The institution also recognizes that in a clock hour program, a payment period is the period of time in which the student completes the number of clock hours in the payment period prior to becoming eligible for a subsequent disbursement. The institution determined by a complete review of all posted disbursements of Title IV funds that the attached list is complete and outlines those funds that were improperly disbursed.

The institution recognizes that if the disbursements were made prior to the student completing the prior payment period's hours they were received while being ineligible. The institution has provided that students did eventually earn the improperly posted funds, and, that it recognizes the institution and the student. Based on the complete analysis of the entire defined portfolio the institution determined those students who were at risk of improper disbursements were in receipt of 2nd and subsequent disbursements the prior to the completion of the payment period. The institution has provided that, based on the efforts of the financial aid staff, the third party servicer, and, the work to determine compliance with the academic progress requirements provided with the submission of HCM2 disbursement requests the institution has provided clear evidence that it is capable of meeting the requirements and timing of the disbursements.

In addition, the institution is confident that it has not released any subsequent disbursements of any Title IV proceeds, nor has it made any improper determination of any disbursement of a loan only to a student since the inception of HCM2 and the new third party servicer. The institution also proclaims that it now determines that a student has continuously maintained eligibility in accordance with the provisions of § 682.201 from the beginning of the loan period for which the loan was intended, and for all FPELL disbursements.

The institution submits that it had received improperly \$7,890.25 of ineligible funds, and, that it has received early and without proper determination \$333,318 of Title IV that students otherwise became eligible for at a later date.

Because the institution had improperly disbursed unearned Title IV, HEA program funds to students who were not eligible for the disbursements at the time when they were made, the institution could have received interest on the \$333,318 in Title IV, HEA program funds from award years defined. This would be interest on funds to which the institution was not was not entitled, and in addition, those impacted borrowers might have incurred additional interest expenses on improper disbursement of unsubsidized loans. The institution recognizes that there is a penalty for such receipt and use of improperly disbursed funds, and, understands that the US Department of Education can impose penalties on the amount of funds received as identified in the audit response. The institution does not feel that additional costs associated with attestation would be of any benefit to the US Department of Education nor be of any recompense for the actions of the institution.

Finding #6 FPELL Under Award

Pell Under awards occurred due to improper calculation of eligibility based on pro-rated hours of the award year.

The institution concurs with findings related to student eligibility, specifically related to proper calculation of accurate determination of Federal Pell Grant eligibility for students during the audit period in question. The institution has removed the calculation of Pell eligibility from an antiquated system to a modern automated system with the change to the new third party servicer. The actions provided by the multiple HCM2 submissions clearly provided evidence that the institution has in place proper actions to receive Institutional Student Information Record (ISIR) information, projected enrollment status during multiple payment periods, Expected Family Contribution confirmation and appropriate calculations of Pell based on the EFC determination, and, subsequently to all the actions required of the HCM2 process the institution has provided documentation that it properly utilizes the Packaging Process of financial assistance.

Based on the proper implementation of the third party servicer system used to establish and determine correct Pell Grant amounts based on EFC, calculate unmet need and authorize awards from additional funding sources is completed appropriately now. Manual adjustments now occur to update enrollment level, cost of attendance budgets eligibility and award amounts so that disbursement can actually be completed. In an effort to ensure that financial need has been calculated correctly and that awards are subsequently determined appropriately we have relied on an "in-house report/query generated by our information management system in conjunction with the software of Boston Education Network. This report provides output indicating all potential aid recipients whose anticipated hours do not match registered hours for a given term.

In response to this finding and after research into options available improve our processes and to improve accurate use of system information and awards based on the correct level of enrollment, the financial aid office will implement the use of an additional program designed to provide better fund management. All student records have been reviewed to ensure that need (COA - EFC) has been properly calculated for the actual enrollment level and that awards have been made at appropriate levels.

The institution determined that in addition to the 3 student files identified by the US Department of Education program reviewers there were 15 additional and improperly paid students for a total of \$16,410 of under awarded FPELL proceeds. These under awarded funds may have contributed to additional costs associated with attending academic programs offered at the Academy of Cosmetology and therefore could have caused students to incur additional loan costs while attending.

The Institution determined that additional costs associated with completion of this identification have been identified in each account ledger and that such remittance of funds would benefit the student by reducing outstanding eligibility of FSUB and FUNSUB loan proceeds.

Finding #7 Verification

The institution recognizes that it did not provide accurate representation of the verification requirements of Title IV funds disbursed to selected students. The institution submits that it has corrected the lack of adequate processes to ensure timely verification of information on the Institutional Student Information Report (ISIR). Based on significant submissions throughout 2012 through the HCM2 procedures the institution is confident that it met the requirements and that all students selected from 2012/13 have been completed. The institution contends that supporting documentation has been reviewed by the third party servicer and the US Department of Education file reviewer as proof that it resolved the concerns of this finding.

The institution recognizes that verification is a process used to ensure students and parents report accurate financial and demographic data for use in determining their Title IV eligibility. The Department's objective for the verification process is to identify applicants for verification who have the highest likelihood of errors in their applications so that schools can correct the erroneous data. This determination is provided by the selections process of the CPS. Based on the predetermined "targeted selection criteria," the CPS uses applicant information to select certain applications for verification. It is from these selected applications that the institution must verify the accuracy of five major data elements reported by students. The institution recognizes that the required elements are adjusted gross income, income tax paid, household size, number enrolled in college, and certain untaxed income/benefits. The institution recognizes that all selected applicants must provide schools with income tax returns and other documents to support these data elements.

The US Department of Education reviewers determined that the institution had not satisfied in all students that selected applicants must complete verification by established deadlines and may have received Title IV disbursements for students that were not eligible.

The school has completed verification and has confirmed correct applicant data on the ISIR's selected. The institution did provide documentation on those selected for verification and have on file submission determined that there were students that verification was not completed and therefore, not eligible for the received Title IV.

The Academy of Cosmetology did not always complete the required verification or report accurate verification results on the 63 total student files selected and has concluded that verification was incomplete for 23 (36.5 percent) of 63 Title IV recipients.

The Academy of Cosmetology recognizes that it had disbursed \$139,606 in unallowable Title IV aid to those 23 recipients. The Academy officials agreed that verification for the 23 recipients was not completed and that the application errors could not have been corrected. The Academy confirms that it has correctly reported the verification results for all the remaining 40 (63.5 percent) of the remaining recipients. The institution recognizes that the inaccurate verification result also limits the usefulness of RFMS data for monitoring the effectiveness of the required verification process.

Finding #8: Entrance/Exit Counseling NOT Documented

The Academy of Cosmetology recognizes the value of and the requirements of Entrance and Exit Interview compliance for all students who choose to participate with the Federal Direct Loan programs while attending any of the academic programs offered.

The Academy of Cosmetology understands the requirements of the U.S. Department of Education (US DOE) as the lender for any student who seeks assistance with funding of their academic programs through the use of Federal Direct (Subsidized and Unsubsidized) Loans. The financial aid provides access to the required information and the disclosure to the student about their promissory note and repayment requirements via the on-line counseling tools meets the regulatory compliance for ensuring a student borrower understands the requirements concerning their loan proceeds. The Academy of Cosmetology, prior to the notification by the US Department of Education of their program review had commenced the conversion of records for disbursement to Boston Education as the 3rd party servicer assisting with the awarding and approving of federal aid. All students have had confirmations that entrance counseling completed via the on-line Direct Loan entrance counseling process has been completed prior to any disbursements, and, confirmed through the disbursements made via HCM2.

All students are reminded that the US Department of Education [DOE] is the lender throughout the life of their Federal Direct Loans. Students are further informed that while the DOE Direct Loan Servicing Center oversees their loan accounts until each loan is paid in full, the student is the real loan manager because they are responsible for repaying their loans.

During the exit interview materials distribution and the completion of an on-line exit counseling session, all students are reminded again that a Federal Direct Loan borrower who is no longer enrolled in an academic program is responsible for decisions about managing the repayment of their student loans. The online Exit Interview for Federal Direct Loans is available through the financial aid office student specific computer or via their own computer or table that guides a student through the requirements to assist them in making the decisions about repayment.

Each student is explained during the initial financial aid review session that the U.S. Department of Education requires that every student completes an Entrance and an Exit Interview session while they are applying for, receiving, and, when they leave school to ensure that each student is exposed to the appropriate rules concerning their Federal Direct Loans. Each student is reminded that in order to complete an Entrance or an Exit Interview for Direct Loans online, each student must have their Personal Identification Number (PIN) issued by the US DOE, the PIN which was created during the application process. If a student cannot remember their PIN, or if they do not have an active PIN, they are assisted by the financial aid office as to how they can request one online <http://www.pin.ed.gov/>

The Academy of Cosmetology submits that it has, based upon the work completed and submitted via the HCM2 payment procedures, satisfied the requirements and the procedures for ensuring that all eligible Federal Direct Loan program borrowers have indeed met and satisfied the entrance counseling requirements of the program. That being stated, The Academy of Cosmetology submits the following as the implemented procedures for confirming who is required to complete an exit interview, and, what steps are taken to ensure compliance.

The Academy of Cosmetology ensures that all students who have received any Federal Direct Loan funds are provided, contacted, counseling, and, distributed materials as required to complete a Direct Loan

Exit Interview at or near the last date of attendance as determined by graduation from or withdrawal from academic study. An exit interview loan counseling session initiated and conducted via on-line access to the US DOE web site at <https://studentloans.gov/myDirectLoan/index.action> which clearly provides the required information regarding loan repayment, grace period, billing options information, and collects updated borrower information as required by the federal government. Each student meets with the financial aid office prior to conducting the on-line session and provides a printed copy of the results of the counseling as proof that it was completed. This printed copy is maintained in the student's file.

There are several conditions that would cause the financial aid office of The Academy of Cosmetology to request that a student complete an exit interview.

- The student would have previously received funds and is currently not enrolled, not attending for 14 consecutive days, or, was placed on an approved Leave of Absence and not returned;
- The student notified the school of their intentions to withdraw from all classes at the Academy of Cosmetology or the Wella Professional School;
- The student is nearing the completion of the required clock hours and is close to graduating from the Academy of Cosmetology

If the student had not officially or unofficially separated from studies and is attending they will be requested to complete your Exit Interview on line in the financial aid office. At this time the student will be provided a current copy of their student account ledger to ensure that all funds have been received and that any remaining balance, additional charges of time in excess of the program hours, and, any other financial issues are resolved. If the student had separated from the Academy of Cosmetology without proper notification, or without meeting the requirements for graduation, they will receive an email request from the Financial Aid Office to the email account listed in the student file reminding them of their requirement to complete an Exit Interview. The email will be sent with a read request notification to ensure delivery has been done. In addition, any student who leaves without notice, fails to return from an approved leave of absence, or otherwise interrupts their academic study for more than 14 consecutive days will have the information identifying the requirement to complete an Exit Interview and a copy of the required notifications. Either method provides the student with access to the required information.

This online exit-counseling session provides a borrower a comprehensive list of their rights and responsibilities as a Federal Loan recipient. All students are informed that Exit interviews are mandatory because it is a federal law and a condition of receiving a federally funded student loan. Each student is advised that the online session will walk you through the following:

- What your Direct Loans Balances are and what your Interest Rates will be upon repayment
- What happens when you are Entering Repayment and what the options are
- What their Repayment Plan is and the requirements of making monthly payments
- What the Consequences of Default and Loan Discharge have on their future
- What options exist for Loan Consolidation, Deferments, and, Forbearances
- What ways a student can contact Direct Loans, Direct Loan Servicing Web site & Common Terms
- What is required of the Final Exam (5-10 minute review of what has been presented on the Web site)

Each student is provided the information, access to the information, and, instructed as to the importance of completing the Exit Interview process, understanding their loan debt and the repayment

options. Students are also informed of the consequences for those who do not complete the exit interview and that failure to do so may interfere with additional eligibility for future financial aid.

Students are informed about how to complete the exit interview process, and to ensure that each understands the requirements the financial aid office provides the following list to each student. In complying with the notification requirements each student should be prepared with the most accurate federal loan information about their exit interview and what information should be readily available before attempting to complete the exit interview.

Each student will Need their

- Social Security Number
- Date of Birth
- Driver's License or State Issued ID Number
- Federal Student Aid PIN (used to electronically sign your FAFSA)
- Contact information for student's parent/guardian
- Permanent Email Address information
- Contact information for 2 references who live in the United States
- Contact information for future employer (if known)
- Academy of Cosmetology School Code – 030883-00

The Academy of Cosmetology reminds all students who received Federal Direct Stafford Loans that to complete the exit interview it will take approximately 30 minutes and it must be completed in one session. Each student is reminded that if they start the process and do not complete it they will not be able to save a portion, and they will be required to start from the beginning when you sign in again. Students who fail to complete and provide the confirmation that the exit interview was finished will be faced with a hold placed on their records and transcripts for failure to complete your exit requirement.

Finally, all students are reminded that there is a short quiz at the end of the Exit Interview that each will have to take to complete and pass 70% of the questions in order to satisfactorily satisfy this requirement.

Go to NSLDS Exit Counseling: http://www.nsls.ed.gov/nsls_SA/

Finding #9 Satisfactory Academic Progress

The Academy of Cosmetology recognizes that Satisfactory Academic Progress determinations were not maintained in all situation, nor were those that were enforced meeting the requirements as defined by the cited reference of 34 CFR 668.16. The institution had prior to the notification of program review undertaken an evaluation of processes and procedures as it prepared for and submitted the Accreditation self-study report. Subsequent to placement on HCM2, the institution had provided the current satisfactory academic progress standards as published in the catalog for inclusion in the required review materials for payments to be disbursed under HCM2. The institution addressed the noted shortcomings as defined and discussed with the program review team and feels that it has adequately resolved and now adheres to the requirement conclusively.

The Academy of Cosmetology does not agree with the finding notification of Student #15. That particular student in question would not have had a required satisfactory academic progress evaluation prior to withdrawal due to their attendance being solely in payment period #1. The contents of both files, and, such provided academic transcript information from the administrative system to the reviewers did in fact indicate that each student was being evaluated, however, such evaluation failed to meet or maintain the integrity of the procedures as outlined in the exit interview with the staff and reviewers. The Academy of Cosmetology did have indications that each student was being monitored for progress while attending the academic program that they enrolled into, but had failed to appropriately document each circumstance. It should be noted that during the audit period in question, and prior to the program reviewers defining the scope for the review, The Academy of Cosmetology had been subjected to HCM2 processing from the period of January 2011 through June 2011, and, based upon materials presented did provide satisfactory academic progress evaluations to the file reviewer for all students paid within that time period.

The Academy of Cosmetology would like it to be stated that student #15 was not required to be evaluated for progress during the 0-450 hour payment period, nor had The Academy of Cosmetology provided a completed progress report for the period in question. The student however did receive monthly evaluations of their progress as required by the State of South Carolina, but, those monthly notifications should not be construed as an evaluation of academic progress. It is noted that, based upon the student's attendance progress, that student #15 had not satisfied the requirements as published for attendance percentage while in the academic program. Student #15 was subsequently withdrawn from study prior to payment of any FSA Title IV loan proceeds, and, prior to attaining 450 earned hours of academic study. The account is addressed in finding #10 [R2T4] calculations.

The Academy of Cosmetology would like it to be noted that student #3 had been evaluated for progress and based on the institution's policy and procedures had stated that said student was eligible for payment of the disbursed Title IV funds. The institution recognizes that specific procedures for insuring that all students who did not maintain satisfactory academic progress were placed on probation or subjected to dismissal was not apparent. This failure, according to the program review report, occurred because school did not ensure that its satisfactory academic progress rules were properly established in its use and management of the requirements of progress evaluations. It was indicated that the institution's prior position of completing the monthly review of student progress was used in place of the documentation required of each payment periods' satisfactory progress evaluation. The institution recognizes that it failed to adhere to and to enforce the requirements of probation and or dismissal based on failure to meet the published standards. The institution has subsequently provided with each HCM2 submission the appropriate documentation that the auditors had reviewed and accepted.

Finding #10 REFUNDS/R2T4

The Institution recognizes that prior to the onsite field work conducted by the US Department of Education reviewers that the institution had not developed and implemented sufficient policies and procedures to accurately analyze student account transactions when determining amounts needed to calculate refunds, and failed to adequately control to ensure it makes all required refunds and makes refunds timely. As a result, the institution did not calculate accurate student refunds, make all required refunds, and make refunds timely. The institution since the visit has developed and implemented revised policies and procedures that have been in full effect since the conversion to Boston Education Network third party servicing with the 2012/13 award year. The institution has also provided clear evidence of following proper procedures in the submission of payment requests as a result of properly completed Return to Title IV calculations.

The Institution has completed the review of each and every student record that had any inconsistent attendance and or unofficial withdrawals. The institution as a result of the review had not completed nor had returned Title IV funds in a timely manner.

For students for whom a return of Title IV aid was required, and, prior to the reconstruction, had returned to study, the institution did not return the funds within 45 days but allowed the maintenance of Title IV funds on the account upon return to study. It was determined that students had been required to have additional calculations after determining that the students withdrew, but that the institution had not completed Return Title IV fund calculations as required and had not returned funds no later than 45 days after the date it determines that the student withdrew.

The Institution also recognizes that the failure to complete such calculations may result in the institution incurring additional costs for interest and special allowance when unearned Title IV funds are not returned timely.

The institution remits with the compliance audit response that it did not properly identify students who unofficially withdrew from their courses and were disbursed Title IV funds during the payment period.

While institutional officials documented that they had contacted students who had ceased participation in their courses, the failure to enforce attendance policies meant to address circumstances when students ceased attendance without notifying the institution, the failure of communication or implementation of procedures to identify such students for purposes of performing return of Title IV calculations was left undone. The Institution recognizes that they are required to perform return of Title IV calculations when a student withdraws during the payment period or period of enrollment as per Title 34 C.F.R. § 668.22(a)(1).

Because the institution did not properly identify students who never attended it did not return all Title IV funds disbursed to those students for those award years. In addition, because the institution used an incorrect last date of attendance in the return of Title IV aid calculation, it improperly calculated the amount of Title IV funds that students earned as of the withdrawal date. The institution also recognizes that in both situations resulted in the Academy of Cosmetology retaining more Title IV funds than it was allowed to retain. As a result of its deficient policies and procedures the institution had improperly disbursed Title IV funds to students who were eligible for disbursements. The institution also requests that the US Department of Education do not enforce additional costs on the determination of the amount of funds awarded and failed to return.

The institution also recognizes that it did not comply with all requirements for calculating and making returns of Title IV funds as prescribed in the regulation at 34 C.F.R. § 668.22. Specifically, the institution did not calculate and make returns of Title IV funds, did not return the funds in a timely manner, and did not always calculate the amounts to be returned correctly. The result of significant time and expenditure recalculating the entire withdrawal portfolio identified 102 improperly calculated students that withdrew, for whom there was a failure to calculate a return of Title IV funds. This resulted in \$94,570.49 of improperly retained and unearned Title IV funds. Those improper funds were offset by otherwise eligible and undisbursed FPELL funds totaling \$18,389.28 due to students identified.

The institution recognizes that it owe refunds in total of \$76,181.21 to the US Department of Education.

Finding #11 Leave of Absence Not Monitored

The institution recognizes that during the defined audit period that it had not properly documented requests from students who were not withdrawn and who were not attending according to the published policy. The institution also recognizes that during the period in question it did not have adequate policies and procedures to ensure that funds were not disbursed to students who failed to maintain attendance requirements nor were properly on leaves of absence. It was also determined that, though students had returned to study, were offered subsequent leaves of absence, or, were withdrawn due to failure to return. The institution has addresses these issues with the completion of the full Return to Title IV audit requirements already addressed in the report. The institution also recognizes that though some documentation had been received from students that the actual reporting leaves of absence had not been entered into the school's database at the time the students were permitted to be on a leave. It was determined that the staff relied on information discussed with the academic personnel and that the process of documentation was not thorough, nor was the appropriate documents contained in the school's database or files.

As part of the management review of internal controls for ensuring compliance it was determined that only 3 identified students of the 28 student population had received any type of FSA Title IV payment while on an unapproved leave of absence. It was also documented that the staff did not adhere to the policy when approving subsequent leaves of absence, but that none of the actions had burdened the US Department of Education in excess funds or improperly handling of the funds. The institution did resolve the compliance problems of failure to document, failure to adhere, and, failure to resolve the leaves of absence as requested and processed on behalf of students. The institution did provide the approved processes and documentation in the submission materials of the HCM2 requirements and, subsequent to the corrections to the process and documentation has met and satisfied the requirements on all new students. Students who are requesting a leave of absence must complete a leave of absence request form. The leave of absence requests must be signed and submitted on or before the last day of class attendance. Requests submitted after the last day of attendance require an explanation.

Revise and implement its policies and procedures to provide reasonable assurance that a student's last date of attendance is based on the last date of academically related activity as supported by the students' coursework. The institution contends that it satisfies the requirements of the program reviewer, and, does not see benefit in additional costs associated with the resolution of the finding. The institution contends that the actions, though not entirely accurate and compliant in the audit period, did not burden the US Department of Education.

Finding #12: Credit Balance Deficiencies

The Academy of Cosmetology recognizes that there were deficient issues with the handling of credit balances, the notifications to students regarding a credit balance, and, the timeliness of returning those FSA Title IV credit balances in accordance with 34 C.F.R. 668.164(d) and (e); and, 668.165(b) as cited.

The Academy of Cosmetology understands the responsibility of properly informing students of the availability of FSA Title IV fund to cover costs other than the contracted Tuition, fees, books, and materials as defined by the enrollment agreement. The institution also recognizes that it has the responsibility to determine and define the costs associated with each Award Year that FSA Title IV funds are applied. The institution has as part of the reconstruction of the files has identified and returned FSA Title IV funds as part of the efforts to ensure compliance with these regulation citations. The student names and corrective actions are being included in this response.

The Academy of Cosmetology has developed internal processes that clearly identify when an FSA Title IV credit balance has occurred and has provided the necessary training of personnel involved to ensure compliance. The application of the HCM2 reimbursement payment method has provided clear evidence of the appropriate use and application of the process.

The institution has included as part of the response to this finding the updated policy and procedures surrounding the corrective actions to be taken for all students in regards to notification, identification, and, administration of any such FSA Title IV credit balance moving forward. The institution has, as required by the processing of HCM2 funds, provided proof that it has returned timely to those students funds that were in excess of the charges for the eligible period.

Student #2 as cited in the audit report had withdrew from studies and at the time did not have a credit balance, student was not FPELL eligible and would even upon receipt of AY1 and AY2 loans not have any FSA Title IV credit balance due. The student, according to the refund policy would have not met the 50% completion requirement, did have a tuition adjustment done on the account, and as a result does not have any funds due as a credit balance. The institution agrees that the forms and materials provided to the student at the time of enrollment did not meet nor satisfy the cited regulations.

Student #9 as cited did have an unresolved credit balance that was not administered in accordance with the cited regulations. The Academy of Cosmetology submits as part of the resolution of this finding a copy of the return of said funds through Boston Education Network and the submission of HCM2 payment documents.

Student #17 as cited was paid their credit balance in full, and, was provided those funds prior to the institution's receipt of the scheduled FSA Title IV proceeds. The Academy of Cosmetology requests that the finding of #17 contained in this response be removed from the final report. The institution feels that payment of a credit balance in advance of receipt of funds is not a reportable issue.

Student #22 as cited shows that the student was owed a credit balance and it was paid late. The institution agrees with this citation.

Finding #13 Prior Year Charges

The Institution did not have a control in place to ensure the accuracy of the charges updated for withdrawals and re-entry tuition data entered by staff responsible for adjusting student charges on the Account Ledger.

In most cases, the total charges the institution assessed the student in any academic period, year, or other instructional period were not properly adjusted or re-entered upon changes in enrollment.

Clearly that the consideration of the shortcomings associated with the other findings addressed with the withdrawals are found in the inaccurate use of institutions charges when a student returned to study. It was evident after reconstruction of the records that the staff had not addressed the actual costs of returning to study for it had not properly addressed the charges for withdrawal. This action or lack of action had impacted the costs associated with the academic study, and for the additional nine students identified, the institution did not appropriately charge for time in attendance.

Institutional charges (generally speaking, tuition and fees) allocated to each year (or portion of a year) would be based on the education and services the institution provides during that period of time, in the same way as they are for institutions that charge their students year by year. Charges for books, equipment, supplies, and other materials would have properly been allocated on a pro rata basis upon return to study but the actions on the account card did not correctly allocate charges to the academic period in which the student returned.

The institution should have and now does use the total charges allocated to each year in determining the amount of current year charges under 34 CFR 668.164(d). The institution recognizes that the amount of current year charges would then be used for determining whether the student has a Title IV credit balance under 34 CFR 668.164(e) prior to withdrawal and upon additional funds when completion of the re-entry process. The institution also recognizes that the use of the proper charges as shown on the account cards where apportioning the costs over the length of the program does not affect how an institution maintains or should maintain its accounting records.

The institution also notes that the provisions related to prior year charges did not affect the cost of attendance used for determining a student's aid package. The institution assesses all institutional charges at the beginning of a prior enrollment period were not included in the cost of attendance when all of the institutional charges are assessed upon re-entry into the program.

The Institution contends that it has now established proper and compliant policies and procedures requiring an independent review of tuition upon re-entry and confirmed posting of charges entered by employees responsible for processing returns and awards of new period Title IV monies. The use of the third party servicer ensures that additional controls, such as system edit checks, to validate the data entered and ensure that charges are processed accurately.

The Institution has fully implemented processes to validate the integrity of data entered and to ensure students who return to study are processed correctly. It is without prejudice that the institution proposes that with the completion of the entire reconstruction it is evident that the institution did not commit the level of error as indicated by the US Department of Education reviewers had proposed and therefore does submit that the account ledgers now properly reflect the actions of the school.

The Academy of Cosmetology recognizes the importance of having a valid ISIR in each student file, and, that without a valid ISIR students are not eligible for FSA Title IV funds. The institution includes with the response to this finding copies that show each file in question as cited in this finding did have a valid ISIR for payment. The institution confirmed that each recipient cited was PELL eligible, did in fact receive a PELL payment, and such payments were originated and disbursed through the 3rd party servicer at that time. During the period in question, 2010/11 and 2011/12 award years, all FSA Title IV PELL payments, reconciliations, adjustments, etc were handled with (b)(6); (b)(7)(C) the 3rd party processor. At no time during the reconstruction was any student files identified as not containing an ISIR, nor were any files neither without a valid EFC nor without a valid ISIR. Subsequent to the change in processing to Boston Education Network, all files continue to be reviewed for valid EFC and resolved ISIR issues, and, based upon the submission through the HCM2 process currently being completed no student has been processed without a valid ISIR.

(b)(6); (b)(7)(C)

2011/12 ISIR report as completed

Finding #15 Attendance violations/Allowing students to receive Diploma's prior to completing the required clock hours

The Academy of Cosmetology does not agree with the U.S. Department of Education program reviewer's explanation as to why the four [4] cited students were determined as ineligible due to the institution's attendance records indicating that the students were short of 1500 hours. At issue in this finding is whether or not students were correctly identified as having attempted all of the required hours at the point of being declared eligible for graduation. The institution did review 100% of the files identified in the student population and did uncover 8 additional records that indicated students were short hours ranging from 7.14 hours down to 0.10 hours, and, also determined that 3 students had returned and completed the required hours. The auditors based their determinations on reviews of attendance records and the last dates the students actually attended class.

The college disagreed with actions taken by the auditor for reasons that no student reviewed was ineligible for their awarded funds, students were paid prior to the completion of the hours, and, if an R2T4 calculation was to be completed, it would provide sufficient evidence that all students had indeed earned the funds that were provided. From this position, to enforce a full review, be it a statistical sample, or a review of all records, to provide evidence that the institution had completed and graduated students prior to 1500 hours would not be fitting time or energies of a program review. With that stated, the institution did review each file, and, as documentation requirements of the HCM2 process has clearly indicated on each submission that the institution has improved the means for tracking, verifying, and, most importantly, validating each students attendance.

The Academy of Cosmetology is a clock hour school where all funding awards are based on the scheduled clock hours for each eligible payment period. The institution does monitor attendance daily, first to ensure student progress, and, secondly, to determine a student's last date of attendance should the fail to report to training for 14 consecutive days. The Institutional Self-Study report filed with the Accreditation body and the Catalog that was filed with the institution's HCM2 monitoring requirements provides that the institution is monitoring and tracking student progress until all hours are earned.

The Academy of Cosmetology relies on the faculty members who are in constant contact with the students, and, being a small school operation, are required to report grades, review student attendance, contact students when absent and, when applicable, to indicate the last day of a student's attendance in the higher education software. The Academy of Cosmetology is also required to maintain at the school the names of the students enrolled, the total hours previously recorded for each student, the total number of hours completed during the month for each student, and the total cumulative number of hours for each student at the end of the preceding month. The institution is also required to shall keep a daily record of the daily attendance, hours earned per day, total hours per month, and the total number to date of all students who are registered and attending in any program. In addition, the institution is required to reflect the student's daily attendance and whether the student is attending day or evening class. The institution also adheres to the requirements of both the instructor and the student verifying and signing all hours on monthly performance records. This monthly performance record was defined under Finding #9 Satisfactory Academic progress and all students shall be provided a copy of their monthly performance records. It is through this process that the institution tracks and monitors all student attendance rates, completions, and eligibility for graduation. The issues identified are not the norm.

The Academy of Cosmetology considers this process to be the most reliable and only official source for student grade and attendance data, and has reviewed and updated all 2012 student records on all attending students to ensure compliance is enforced.

To be eligible to receive an official school diploma and to be considered a *graduate* a student must:

1. Complete and pass the minimum academic requirements of the course(s).
2. Complete all hourly requirements of the course(s).
3. Meet all the Satisfactory Progress minimum standards of the course(s).
4. Maintain the minimum grade for written and practical exams with a 70% or better.
5. Complete all of the above 1-4, within the maximum time frame for program completion.

(Please note: a Diploma is not an official school transcript and cannot be used to take the state licensure examination)

To receive an official Academy of Cosmetology transcript a student must: (transcripts distributed directly to , not the student)

1. Have met all the requirements listed above to be considered a *graduate*.
2. Have completed our minimal operational service standards.
3. Pay all monies owed to the Academy of Cosmetology.
4. Complete a Loan Counseling Exit Interview, (for those students who received Title IV Financial Aid).
5. Receive clearance from the Financial Aid & Administrative office that all required documentation is completed and signed.

Finding #16: Award letters not signed / Not Updated / Not Provided

The Academy of Cosmetology recognizes that during the audit period several files were identified as not having an award letter informing and notifying the student of the amount of available aid, and, the types of aid that were being awarded on their behalf. The institution agrees with the reviewers in that it had not satisfied the cited regulation of 34 CFR 668.165, however, prior to the reviewer's visit, the institution had restructured the financial aid process and converted servicing over to Boston Education Network. Upon completion of this task, and, input of all current student records into the system, all students were provided an updated award notice. The awarding process now includes a specific form, generated from the Boston Education Network that each student is provided that ensures compliance with the regulation.

The Academy of Cosmetology recognizes the requirements to provide each student with the packaging information and award letter; we want to note that there is no requirement in the Federal Student Aid Handbook published by the U.S. Department of Education, nor any regulatory requirements for the content of an award letter. There has been no such requirement since February 3, 1988, when schools were last required to obtain a signed award letter from the student indicating the student's acceptance of campus-based awards. The Academy of Cosmetology recognizes that it is required to determine that the student was updated and did receive an appropriate award letter for their financial aid package.

With that stated the Academy of Cosmetology provides updates to their students and since there is no requirement that schools send award letters, no requirement that the schools maintain a signed copy of the award letter in their file, and that throughout the audit period students were in regular communications with the staff, that the failure to have a 'signed' award letter is not a violation.

The Academy of Cosmetology does recognize that the use of an award letter in the financial aid office can and should reflect all federal, and, that the institution offers of aid which includes scholarships, grants, loans, and student employment that students should be made aware of, the school is very small and the staff is constantly in communications with the students. At any given time students have met with staff and have discussed additional offers of aid, often resulting in student making request of additional funds for living expenses during their enrollment.

The Academy of Cosmetology attests that as part of the preparation, submission, and, approval of the current processing of FSA Title IV through the HCM2 procedures, the file reviewer has been provided the copies of the materials that indicate students were properly notified, and, that during the repackaging of students for the 2012/13 award year, updated notices were completed. The institution is confident that by continuing to follow the procedures set forth in HCM2 and noted here that it will continue to satisfy this requirement.

Finding #17: High School Diploma/GED/ATB Testing

The Academy of Cosmetology recognizes the responsibility for providing assurances that all enrolled students will have, prior to acceptance for enrollment, a valid High School Diploma, or G.E.D., and, that ATB testing is no longer a means to determine eligibility. The institution had, prior to the 2012/13 award year admitted students without a HSD or GED, and the published admissions requirements for all programs stated that a student would be required to possess a high school diploma or its equivalent. It further stated that any applicant who did not have a high school diploma or its equivalent may also be admitted provided they can demonstrate they have the ability to benefit from the education. The Academy of Cosmetology did admit students who completed and independently administered ATB test. The institution contends that Under 34 CFR 668.151(a)(2), an ATB test may only be used to determine a student's eligibility for Title IV, HEA funds if the test was "independently administered and properly administered" which in the student situations clearly was evident, however, the institution recognizes that in satisfying the intent of the regulation during the audit period it had been remiss in satisfying the requirements of 34 CFR § 668.151(g) which did require that institutions maintain records documenting—

- (1) The test taken by the student;
- (2) The date of the test; and
- (3) The student's scores as reported by the test publisher, assessment center, or State.

The Academy of Cosmetology does recognize that it should have had adequate information in its student files to determine that the students' tests were available to determine that the students in question were in fact eligible to receive Title IV, HEA funds based on those tests.

Subsequent to this finding, and, as a result of the regulatory changes, the institution has clarified the policy on High School Diplomas and GED attainment and has incorporated it into the eligibility discussion during the admissions interview process.

The Academy of Cosmetology submits that Student #6 (b)(6); (b)(7) did in fact have a HS Diploma, should not be represented in the finding as an ineligible student, and, Student #18 (b)(6); (b)(7) should also be removed from the finding due to the presentation of the ATB test results confirming her eligibility. The institution respectfully we request that each finding be removed from the final determination.

Finding #18: Incorrect STUDENT Ledgers

The Academy of Cosmetology submits as resolution to the finding as required each completed account ledgers for the five [5] cited files that were identified by the US Dept of ED reviewers. These account ledgers represent the accurate use of tuition, the correct posting of FSA Title IV funds, the identification of the credit balances and/or the reductions in tuition amounts due to withdrawals, and, the posting of any Return to Title IV transactions that had occurred.

The Academy of Cosmetology contends that as a direct result of processing students through the HCM2 reimbursement procedures as required, all current students have properly addressed and identified postings, debits, and, credits to their account.

The Academy of Cosmetology has produced ledger cards on all accounts impacted by findings as associated with this program review report.

The Academy of Cosmetology submits the following as updated procedures to ensure compliant processing and transactions on each student account ledger.

Posting of transactions for individual charges, payments, refunds, and adjustments

The Business Office is responsible for maintaining the accounting records for the student ledger account established for each student at the time the student is admitted to the Academy of Cosmetology. Each student ledger account is used to record various student charges and payments as well as each type of federal, state, and other sources of financial aid. The Business Office is required to review and ensure that each student is personally responsible for the proper settlement of his/her student ledger account.

Student enrollment contracts are charged to the student ledger for each award year for the program that the contract is written for. All financial aid awards (federal, state and scholarships) are authorized and entered as expected resources by the Financial Aid Office. All receipts of financial aid are posted to the student's account by a manual posting process and compared to the award/disbursement report totals match the posting accurately. The Academy of Cosmetology works through a 3rd party servicer to ensure that this process of identifying and accounting for Financial Aid types awarded by the Financial Aid Office staff has checks and balances to validate that the funds received as Title IV student financial aid program funds are properly accounted for. The drawdown procedures are managed and directed through the 3rd party servicer by the Financial Aid Administrator to confirm that each eligible student is appropriately monitored and approved prior to the application of Federal Title IV SFA programs.

The drawdown of student financial aid awards are determined by the enrollment dates in which the financial aid package was approved and by the posting of funds against the charges listed on the student account. Financial Aid notifies the Business Office of the expected disbursements as the approved awards are processed in batches by the 3rd party servicer based on the determination of eligibility provided by the school and verified by the supporting documentation that is provided by the Financial Aid Office to the 3rd party servicer. Once verified, the approved financial aid disbursements are then posted to the student account ledgers, by the Business Office staff who will post the awarded and approved financial aid in funds source type batches when the drawdown of funds are established through the 3rd party servicer who updates the release date and reports to the Department of Education's G5 website. Reconciliation of the accounts is done between the 3rd party servicer and the

Business office to ensure that financial aid batches have been correctly posted by comparing the information provided by COD and G5 accounts.

Additional responsibilities beyond the billing of students for all tuition and other student fee charges on a timely basis, the Business Office records all refunds. Each transaction processed that originates from Federal Financial Aid sources are processed in accordance with all federal/state guidelines and regulations. This includes the reviewing and processing of all refund/repayment calculations and the returning of financial aid funds to programs as mandated by federal/state regulations.

Finding #19: Student not charged per Enrollment Agreement

The Academy of Cosmetology agrees that instances of inaccurate posting of account charges had been identified by the US Dept of ED reviewers however, prior to the visit, and, upon conversion to Boston Education Network, the institution had corrected current student records that were eligible for payment of Title IV funds. The Academy of Cosmetology states that the procedure for verifying and managing enrollment agreements has been detailed her to ensure that appropriate handling of all charges is completed. The institution is confident that this type of finding will not occur in the future.

Procedure on Handling Enrollment Agreement Charges on Account Ledger

The Academy of Cosmetology writes, reviews, and, accepts enrollment agreements in different areas of the organizational structure. The Admission representative meets with the student, reviews their eligibility and completes the contract with the tuition charges for the hours of attendance they will complete. It is with the Admission representative that a student is fully provided a course price breakdown of the charges for tuition and for kits and fees. All signed enrollment agreements are verified by the director of the school and upon acceptance and are provided to the Business Office where they are entered into the Premiere Education system with start date and program times indicated. Charges of tuition are posted to the student ledgers by academic year; this ensures that financial aid provided for payment against tuition charges are posted against the correct academic periods. In situations where a refund or return of credit balance is due to a student for reasons of excess aid received against charges will be handled in accordance to the credit balance requirements.

Posting of tuition and charges as defined on the enrollment contract are entered into the Premiere Education software by the Business office, and, are verified against the contract to ensure students are properly charged. Students that have modified contracts due to transfer hours may have some variances from the advertised cost of their program. Upon submitting to the Academy of Cosmetology proof of prior academic training, a request for reduction in charges, or a refund of paid tuition, will result in an investigation to determine if there had been any instances of overcharging the student from the advertised rate and their commitments of the enrollment agreements. If it was discovered that you were overcharged, the Academy of Cosmetology will promptly reduce the difference in amounts and provide notice to the student within 30 days of inquiry.

Below are the procedures to ensure compliance with Enrollment Agreement charges and institutional reconciliation of tuition accounts.

- Tuition calculations are run at the end of each month to ensure proper charges to student accounts and to reflect any new activity.
- Run a query report to identify all new enrollments and validate actual tuition charges based on signed enrollment agreements.
- Pull files and verify any discrepant information and update charges as appropriate, adjust billing set up to correct any incorrect charges, including misapplied fees, incorrect student/tuition charges, and/or incorrect miscellaneous charges
- Once all actual charges match expected billed charges complete monthly reconciliation

Finding #20: FSEOG made in unequal payments

The Academy of Cosmetology recognizes and agrees that with the finding and that it had not properly separated out the FSEOG payments into two [2] distinct disbursements in the student in question. The institution identified as part of the reconciliation additional student accounts where a single disbursement was posted, and, as part of the reconstruction of the files, corrected each account ledger.

The Academy of Cosmetology is confident that it will appropriately handle disbursements of FSEOG funds in the future, and, based on the 11/12 AY disbursements provided through HCM2 it has met the requirements. As noted an updated policy on administration of the FSEOG funds is included in the response.

Federal S.E.O.G. Policy

The Federal Supplemental Education Opportunity Grant, federally funded program, is designated for helping the financial needy student meet the cost of their educational program. This grant fund program is administered by the Academy of Cosmetology and eligible FSEOG funds are awarded only to Federal Pell Grant recipients with the lowest EFC beginning with those who have zero EFC value. The Academy of Cosmetology does not receive enough federal allocation to award all students therefore funds are awarded twice per year until depleted.

Determining Eligibility In order to determine eligibility for the federal supplemental education opportunity program grant fund [FSEOG], students must file a Free Application for Federal Student Aid (FASFA) and have the results on file with the Academy of Cosmetology. The Office of Financial Aid works with the contracted 3rd party servicer and confirms student eligibility prior to identifying eligible students. The validation of award is determined through the 3rd party servicer and is updated through them to CPS of the Department of Education using the Federal Methodology need analysis formula. The Office of Financial Aid confirms the receipt of an official EFC before eligibility for any fund may be completed. FSEOG is awarded only to students who qualify for a FPELL Grant starting with zero EFC. Students are notified of the amount of their FSEOG eligibility through an updated award notice via paper notification.

Payment FSEOG funds are disbursed to students in two equal disbursements as defined and established by the 3rd party servicer for those students who are enrolled and have a valid and eligible award. Before disbursement the Office of Financial Aid will ensure that the student is eligible for the grant and is meeting satisfactory academic progress for the appropriate number of hours. The FSEOG is automatically disbursed directly to the students' account, tuition and other appropriate outstanding charges first.

Limits The regulated annual maximum amount of FSEOG is \$4,000 and the minimum is \$100. However, the Office of Financial Aid has determined self-imposed minimum of \$100 and a maximum of \$400 to ensure that the greatest number of students have an opportunity to receive a portion of the FSEOG allocation.

Unused Funds At the end of the award year account reconciliation is done to determine if there are any unused FSEOG funds. Following the reconciliation any unused funds will be allocated based on the maximums identified above.

Finding #21: Inaccurate recordkeeping

The Academy of Cosmetology has improved the handling of, disbursement of, and reconciliation of all FSA Title IV funds as it converted the processing and updating to Boston Education Network. The institution agrees that during the period in question, and as identified by the US Department of Education that it did not have adequate controls over journal entry posting or reconciliation. Boston Education Network reconciled and resolved accounts as of April 2012.

The Academy of Cosmetology has restricted the posting of student aid entries, and, based on the accounts submitted via HCM2 has properly accounted for the accuracy of the journal entries. Boston Education Network has updated and completed the review of journal entries and the supporting documentation for accuracy. Upon their recommendation the institution has completed a quarterly closing of accounts and has satisfied the reconciliation of the 2011/12 and 2012/13 award years as it processes student payment requests.

The Academy of Cosmetology acknowledges the finding, corrective actions have been taken as of the conversion to Boston Education Network and complete compliant processing and reconciliations are to be expected with the results of the closing of 2011/12 and 2012/13 award year.

The Academy of Cosmetology has identified that the business office person who enters the federal student aid journal entries will work in conjunction with the financial aid office and Boston Education Network to ensure that all students who are approved for payment have appropriately matched account records on the internal system as represented in COD via Boston Education Network. All student account journal entry documentation has been updated and corrected as the reconstruction of the student accounts impacted by the audit was completed.

The Academy of Cosmetology now has instituted appropriate and adequate segregation of duties over the request, post, and reconciliation cycle of SFA Title IV funds.

Finding #22: Unresolved ISIR code

As stated in the FSA Handbook, Selective Service will register only males age 18–25, therefore leaving older students with no way to remedy their situation if they failed to register. However, the student may still be eligible to receive aid if he can demonstrate that he did not knowingly and willfully fail to register. In the student in question #29 (b)(6); the student provided documentation that was incarcerated, did not knowing or willfully fail to register, and, attempted to gain a status information letter from Selective Service addressing his failure to register.

Subsequent to his withdrawal from the institution, we are providing his documentation that indicates he did not willfully fail to meet the obligations. Student #29 (b)(6); did have his account reconstructed in the resolution of finding #10.

The Academy of Cosmetology considers the resolution of a “C” coded ISIR to be a priority, and, with the conversion to Boston Education Network no student has been awarded or disbursed FSA Title IV funds prior to the resolution of the “C” code. In this particular instance, the financial aid office had failed to properly document the decision to allow the student to be eligible for FSA Title IV funds based on the evidence presented to the school. The financial aid office at that time did not complete the signature attestation that they reviewed the materials presented and decided to award the student funds. A review of the materials presented will show that the institution did act appropriately.

Attached with the response to the finding is the procedure now in place and enforced for students with a Selective Service match issue.

Finding #23: PLUS Loan Denial Missing

The Academy of Cosmetology believes that the contents of this finding should be removed from the final determination letter on the basis that the premise issued is false. The institution respectfully disagrees with finding, its contents and the actions put forth by the reviewer. It should be noted that the US Dept of Education had issued notices regarding the eligible additional UnSubsidized Stafford/Direct loan proceeds in its notice to schools that for loan periods that include July 1, 2008, or begin on or after that date, dependent undergraduate students (excluding dependent undergraduates whose parents are unable to obtain PLUS Loans) are eligible for an additional \$2,000 in unsubsidized Stafford Loan funds each academic year. For these students, the annual loan limits are: \$3,500 combined subsidized and/or unsubsidized plus \$2,000 additional unsubsidized for dependent first-year undergraduates.

The Academy of Cosmetology also respectfully disagree with finding, based upon GEN-11-07 where "...a school also may not have an across-the-board limit on student eligibility for Direct Subsidized Loans and Direct Unsubsidized Loans that restricts student borrowers to the "base" combined subsidized and unsubsidized annual loan limit (\$3,500, \$4,500, \$5,500 or \$8,500, depending on grade level), and not make available to the student the "additional" unsubsidized loan amounts (\$2,000 for dependent students; \$6,000, \$7,000 or \$12,000 for independent students, depending on grade level) for which the student would otherwise be eligible."

The Academy of Cosmetology also states that the Direct Loan Program regulations at 34 CFR 685.203(c)(1)(ii) authorize a school to award additional Direct Unsubsidized Loan funds to a dependent student (up to the amounts normally available only to independent undergraduate students) if the financial aid administrator determines that the student's parent is unable to borrow a Direct PLUS Loan due to exceptional circumstances. The institution states that it did not provide any additional unsubsidized loan proceeds to the student in question #20 (b)(6) therefore, the finding has no merit.

The Academy of Cosmetology submits the following procedures for securing and documenting the eligibility of dependent students who otherwise would not have been eligible for additional unsubsidized loan proceeds without a denial.

Finding #24: Overlapping loan award periods

The Academy of Cosmetology contends that the financial aid administrator must be aware of the responsibility incurred in originating a loan. The institution agrees that it is the school, not the US Dept of ED that determines the borrower's eligibility for a new or a subsequent academic year Federal Direct or PLUS Loan. The institution also agrees that it is the financial aid office responsibility to originate loans for eligible borrowers, and that the institution not exceed loan limits or the borrowers need. The institution is also aware that it may not originate a loan for a period that includes hours in an academic year in which the student is no longer enrolled (regardless of whether a student has ceased attendance or advanced to the next academic year).

Upon review of the file during reconstruction, it was evident that the student completed the required 900hrs of the 1st AY during the date of Sept 27th 2011. The institution did not update the correct 1st AY loan period end date to reflect the correct period prior to awarding the 2nd AY loan proceeds. The institution did not over award funds to this student, however, the institution did fail to properly report on the eligibility period of the student's 1st Award year. The institution recognizes that it must adhere to 34 CFR 685.102(b) which states "The period of enrollment for which a Stafford or PLUS Loan is intended must coincide with an academic period established by the school for which institutional charges are generally assessed..." and has taken all necessary steps to confirm that each current account is correct.

The Academy of Cosmetology recognizes that they are required to have a review of their prior loan history as indicated on their ISIR and posted on NSLDS, and contends that, upon conversion to Boston Education Network, all loan periods are properly reviewed. Students are not eligible for 2nd AY loan funds until the institution reports completion of the 900 clock hours and academic progress to the 3rd party servicer. It is evident from the students submitted during the HCM2 processing requirements that the institution has properly adhered to this responsibility. The institution is confident that students did qualify for and receive aid properly after determination of their continued eligibility.

The Academy of Cosmetology recognizes that it must document the actual begin and end dates as well as proof of withdrawal or graduation from the prior academic year on all students who request additional loan funds in the scheduled 2nd academic year period. If at the completion of the current academic year the student completed the scheduled hours prior to the indicated loan period end date, as listed with the NSLDS record for that loan, the institution must update and reflect the actual end of or the termination of the enrollment period with NSLDS.

The 3rd party servicer used by the Academy of Cosmetology access the system as it verifies the eligibility of each applicant student by submitting the students' names, Social Security numbers and enrollment-begin dates for verification of prior awards. In light of transfer student situations, for example, if the loan period at a student's prior institution ends even one day after his or her starting quarter/semester at the Academy of Cosmetology, the student has an overlapping period and the FAO must deduct aid received at the other institution from the student's annual eligibility. The student may be asked by this office to have the student's prior institution complete an Overlapping Financial Aid Form to confirm the last date of attendance and disbursed loan amounts at the prior institution.

During periods of overlap students may be required to make alternative arrangements for payment if they become ineligible for federal aid based on aid received at a prior institution.

Finding #25 Students not informed of Available Aid

The Academy of Cosmetology respectfully disagrees with the content of the finding as presented and the citation that the institution was required to provide notice or obtain notice from any student that they did not wish to receive Unsubsidized Stafford loan funds during their attendance in the program. The institution believes that proper use of the publication GEN-11-07 of March 22, 2011 which clearly states that "While schools are not required to review 2010-2011 award packages for students who were approved for only Direct Subsidized Loans, if such a student contacts the school and requests Direct Unsubsidized Loan funds that the student is otherwise eligible to borrow for a loan period in which the student is still enrolled at least half time..." the institution did not violate any such requirement by not having Unsubsidized awards on the indicated student accounts. Further to this point, and clearly defined in the same publication, it states "... that schools are not precluded from counseling students on the differences between subsidized loans and unsubsidized loans, and emphasizing that students should borrow Direct Unsubsidized Loans only if they have exhausted all non-loan options for financing their education." The institution is not required to document nor maintain any such conversations as part of the internal communications between students, staff, and, the financial aid office.

The publication also states that "A school is not prohibited from counseling students on the benefits of avoiding loans or reducing the amount the student borrows. We also note that a student can initially choose to not take out a loan or to borrow an amount less than the full amount for which the student would be eligible, and later in the loan period request the loan or the additional loan funds." As noted in the program review, students were provided subsidized and unsubsidized loans, and, in multiple documented cases student were offered loan funds to cover additional costs of attending the program. The institution feels that to opinion of the reviewer was not a representation of the actual actions performed by the institution during the entire period in question.

To ensure that the US Department of Education understands that the institution does take the process of identifying and awarding appropriate amounts of aid to students it has enclosed with the response to this finding procedures that define the actions taken when students are awarded SFA Title IV funds. The institution provides the following as clarification of its understanding and the proper disclosure to all students who seek SFA Title IV funds to defer the actual costs of their academic programs.

Finding #26: Annual Reporting/Campus Crime Report Missing Components

The Academy of Cosmetology submits the following as required to maintain compliance with the citation.

ANNUAL JEANNE CLERY ACT AND CAMPUS CRIME STATISTICS REPORT

The enclosed Jeanne Clery Act and Campus Crime Statistics Report provided as part of the campus security policy information and campus crime statistics is published annually by the School Director.

The Academy of Cosmetology provides the following information to all employees and students and is part of the institution's commitment to safety and security pursuant to the requirements of the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act. It is the institution's responsibility and intent to provide a comprehensive report regarding the campus safety and security environment including the incidence of crime.

This report summarizes public safety and security requirements of at the Academy of Cosmetology and the Wella Professional School. Provided is the highlights of the required crime statistic concerns available to the students, staff, employees of the campus community. Crime statistics for the 2009, 2010, and 2011 calendar years provides the information regarding the number of actions designated as criminal offenses during these time periods. The Jeanne Clery Disclosure of Campus Security Policy & Campus Crime Statistics Report is distributed to every student and employee on an annual basis and is available to prospective employees and students at their request. Employees receive a copy through the campus email system and are also informed that the information is on the school's website. The report is distributed to all students through the Student Handbook and an email sent at the start of October for those attending at the time the report is updated.

It should be noted that the crime statistics included in this publication are organized by locations that are identified as either owned or leased property belonging to the Academy of Cosmetology or the Wella Professional School. The statistics include incidents involving non-student, non-faculty and non-staff individuals as well as on-campus, non-campus buildings and property, and public properties. You may view this file from the website in pdf format or pick up a copy of the report in person at the financial aid office during normal business hours, or have a copy of the report mailed through the United States Post Office.

**Crimes Reported to the Academy of Cosmetology and the Wella Professionals School Safety and Security
compliance report**

Three Year Comparison

Offense Type	Year	On-Campus	Residential Facilities	Non-Campus	Public Property
Murder & Non-Negligent Manslaughter	2009	0	0	0	0
	2010	0	0	0	0
	2011	0	0	0	0
Negligent Manslaughter	2009	0	0	0	0
	2010	0	0	0	0
	2011	0	0	0	0
Sex Offenses Forcible	2009	0	0	0	0
	2010	0	0	0	0
	2011	0	0	0	0
Sex Offenses Non-Forcible	2009	0	0	0	0
	2010	0	0	0	0
	2011	0	0	0	0
Robbery	2009	0	0	0	0
	2010	0	0	0	0
	2011	0	0	0	0
Aggravated Assault	2009	0	0	0	0
	2010	0	0	0	0
	2011	0	0	0	0
Burglary	2009	0	0	0	0
	2010	0	0	0	0
	2011	0	0	0	0
Motor Vehicle Theft	2009	0	0	0	0
	2010	0	0	0	0
	2011	0	0	0	0
Arson	2009	0	0	0	0
	2010	0	0	0	0
	2011	0	0	0	0

****There were no Hate Crimes reported for the years 2009, 2010, and 2011.**

REPORTING CRIMES AND EMERGENCIES

A safe environment is everyone's responsibility.

Students, faculty, and staff are encouraged to report all criminal acts, suspicious activities or emergencies promptly and have the right to report these matters confidentially. Victims or witnesses to a crime are encouraged to file a report of the incident. Reports can be filed on a voluntary, confidential basis for inclusion in the annual disclosure of crime statistics by contacting the School Director.

Reports are kept in a secure location within the School Director's office. Names of victims or witnesses are not disclosed in the crime report. It is the policy of the Academy of Cosmetology and the Wella Professional School that all criminal acts or other emergencies be properly documented and reported to local authorities as required by law. Students and employees should promptly report all criminal actions and emergencies occurring on or around either facility to the nearest employee of either the Academy of Cosmetology or the Wella Professional School. Immediate dangerous situations should promptly be to the local Police Department by dialing 911 as necessary. Dangerous activity might include, but is not limited to, burglary, motor vehicle theft, aggravated assault, robbery, sexual offense, hate crimes, gender crimes or murder. In the event of fire or medical emergencies, students, faculty, and staff should contact their local Police Department by dialing 911. All new students and employees are informed about safety and security procedures at their respective orientation programs. All students and employees need to take measures with their own safety and be responsible for their own security and that of others.

CAMPUS SECURITY POLICIES

Timely Warnings

In the event that a situation arises that, in the judgment of the administrator, constitutes a threat, a warning will be issued. Anyone with information warranting a timely warning should report it to an instructor, receptionist or office personnel immediately.

Annual Disclosure of Crime Statistics

The school owner prepares this report to comply with the Jeanne Clery Disclosure of Campus Security Policy and Crime Statistics Act. This report is prepared in cooperation with the local law enforcement agencies surrounding our campus. Campus crime, arrest and referral statistics include those reported to local law enforcement and school officials. The stats include crimes that have occurred in the school, parking lots and adjacent public property. Each year a notification is made to all enrolled students that will provide a web site to access this report. Faculty and staff receive a similar notification with their paycheck. The web site address is provided to all prospective students and employees. Copies of this report may be obtained through the school office.

How to Report a Crime

To report a crime, contact the School Director regarding any criminal or suspicious activity. In the event of an emergency dial 9-1-1. Report any suspicious activity or person seen in parking lots or inside building. The Academy of Cosmetology encourages anyone who is the victim or witness to any crime to promptly report the incident to the police.

Security and Access

During business hours, The Academy of Cosmetology will be open to students, parents, employees, contractors, guests and invitees. During non-business hours the only permissible access to buildings are by persons in possession of a key. The Academy of Cosmetology does not have residence halls. Areas that are revealed to be problematic will be addressed on an individual basis as they become apparent. These may include but are not limited to landscaping, locks, lighting and communications.

Campus Law Enforcement Authority

The Academy of Cosmetology does not employ any security personnel. Offenses are reported to the school director and to the local police department. The Academy of Cosmetology and the Wella Professional School do not have any written memorandum of understanding or any other type of written agreement with any law enforcement agency.

Accurate and Prompt Crime Reporting

All students, staff and guest of The Academy of Cosmetology are encouraged to report all crimes and public safety related incidents in a timely manner. They can report to any staff member or directly to the local law enforcement agency. The North Charleston SC Police number is 843-522-1286 on 5553 Dorchester Rd, and, the Richland County Sheriff's Dept. in Columbia SC number is 803-576-3000 at 5623 Two Notch Rd, or the Columbia Police Dept a 803-749-5836. For all emergencies dial 9-1-1. The Academy of Cosmetology does not have a campus police officer.

Counselors and Confidential Crime Reporting

The Academy of Cosmetology does not have a procedure for voluntary confidential reporting of crime statistics. Violations of the law will be referred to law enforcement agencies. When a potentially dangerous threat arises, timely warnings will be issued through the other appropriate means.

Security Awareness Programs

During orientation students are told where to find the Safety Report, ways to maintain personal safety and theft prevention are discussed. Periodically during the year The Academy of Cosmetology provides crime prevention awareness sessions including personal safety. A common theme of all awareness and crime prevention programs is to encourage students and employees to be aware of their responsibility for their own security and the security of others.

Crime Prevention

Periodically during the year The Academy of Cosmetology provides a seminar on crime prevention for students and employees. Personal safety is addressed. The focus is how to not become a victim.

Off Campus Criminal Activity

The Academy of Cosmetology operates no off campus activity and does not monitor off campus activity.

Alcohol and Illegal Drugs

The Academy of Cosmetology is a drug and alcohol free campus. Possession, sale, manufacture or distribution of any controlled substance is unlawful. It is also unlawful to possess alcohol under the age of 21 or to furnish, sell or provide alcohol to anyone under 21. Violation of these laws can result in suspension or termination from the school as well as criminal prosecution.

Substance Abuse Education

The Academy of Cosmetology provides information to students and employees to prevent the abuse of drugs and alcohol. The Wella Professional School can reach Substance Abuse consultants at 803-419-1023 at 3031 Scotsman Rd in Columbia SC. Informational materials are provided along with a list of counseling services.

Local, State & Federal Legal Sanctions

The State of South Carolina sets 21 as the minimum age to purchase or possess any alcoholic beverage. Specific ordinances regarding violations of alcohol laws, including driving while intoxicated, are available from the Columbia or Charleston Police Departments. A violation of any law regarding alcohol is also a violation of the schools rules of conduct and will be treated as a separate disciplinary matter by the school.

Disclosures of Alleged Victims of Crimes of Violence or Non-forcible Sex Offenses

The Academy of Cosmetology will upon written request, disclose to the alleged victim of a crime of violence, or a non-forcible sex offense, the results of any disciplinary hearing conducted by the school against the student who is the alleged perpetrator of the crime or offense. If the alleged victim is deceased as a result of the crime or offense, The Academy of Cosmetology will provide the results of the disciplinary hearing to the victim's next of kin, if so requested.

Preventing and Responding to Sex Offenses

The Academy of Cosmetology provides literature on sexual assault, date rape education and risk education. If you are a victim of a sexual assault your first priority should be to get to a safe place. Then medical attention should be obtained. The assault should be reported to local police in a timely manner. Time is critical for evidence collection and preservation. It is the students' choice to report the assault. The Academy of Cosmetology will guide the student through available options for counseling. The Campus Sex Crimes Prevention Act of 2000 is a federal law that provides for the tracking of convicted sex offenders enrolled at, or employed at, institutions of higher education. State law enforcement agencies are required to provide a list of registered sex offenders who have indicated that they are enrolled, employed or carrying on a vocation at the school. A list of all registered sex offenders in South Carolina is available at http://www.publicrecordcenter.com/south_carolina_sexoffenders_search.html.

Weapons

Students, staff and visitors are not permitted to possess weapons of any type on the campus. Violation of this policy could result in immediate dismissal and contact of local law enforcement for possible criminal prosecution.

Finding #27: Part 86 Regulations/Drug Free Schools and Communities Act

The Academy of Cosmetology submits the following as compliance with this finding.

DRUG AND ALCOHOL POLICIES

In keeping with section 120(a) through (d) of The Higher Education Act of 1965, as amended, including the Drug-Free Schools and Communities Amendments of 1989 (Public Law 101-226), a "Drug Free Schools and Campuses" publication, the Drug Prevention Policy and it is provided to all Academy of Cosmetology and the Wella Professionals School faculty and students annually. Pursuant to federal and state drug laws, students are prohibited from the unlawful manufacture, distribution, possession, sale or use of illicit/illegal drugs. The Academy of Cosmetology and the Wella Professionals School also enforces state laws regarding underage drinking. This prohibition applies while on the property of the school or when participating in any institutional activity. Students or employees who violate this policy will be subject to disciplinary action up to, and including, expulsion from school or termination of employment.

DRUG-FREE SCHOOLS AND COMMUNITIES ACT/ DRUG-FREE WORK PLACE ACT COMPLIANCE

It is the policy of the Academy of Cosmetology and the Wella Professional Schools to comply with the Drug-Free Schools and Communities (Campuses) Act of 1989 and Federal Anti-Drug Abuse Act of 1988.

COVERAGE

The entire school community of the Academy of Cosmetology and the Wella Professionals School, including students, faculty, staff, and visitors to the campus are subject to the requirements of has a zero tolerance policy with respect to the unlawful manufacture, distribution, possession, or use of illegal drugs or controlled substances by students, faculty, and staff. The term "controlled substances" as used in this policy refers to those drugs and substances whose possession, sale, or delivery results in criminal sanctions under South Carolina law.

STANDARDS OF CONDUCT

The unlawful manufacture, distribution, dispensing, possession, or use of illicit drugs and alcohol on any institution property or as a part of any school program related function is prohibited. It is unlawful for any employee, student, or other member of the institution's community that reports to work, class, or any institution participated function under the influence of alcohol or illicit drugs, actions of this nature are strictly prohibited. Pursuant to federal law, the policy also requires grant or contract employees to notify the employer of any criminal drug statute convictions for a violation occurring in the workplace no later than five (5) days after the conviction. Any faculty, staff, or student employee who violates the Drug-Free Workplace Policy is subject to prosecution and punishment by the criminal courts as well as to disciplinary procedures by the Academy of Cosmetology and the Wella Professionals School and may also be terminated from his/her position of employment by the School Director or ownership.

DISCIPLINARY SANCTIONS

The Academy of Cosmetology and the Wella Professionals School will impose disciplinary sanctions on students and employees consistent with local, State, and Federal laws for violation of the "Standards of

conduct" outlined above. All persons should be aware that violations could result in expulsion from school, termination of employment, or referral for prosecution.

- **Federal Trafficking Penalties** include substantial fines and imprisonment up to life.
- **South Carolina Sanctions** depend on the classification of the controlled substance, the particular activity involved (possession or trafficking) and whether multiple convictions are involved. Under SC law, the most severe penalties for drug violations are for possession with intent to sell.
- It is against South Carolina law to:
 - Purchase, possess or consume any alcoholic beverage if under the age of 21;
 - Provide any alcoholic beverage to a person under the age of 21 by transfer, gift or sale;
 - Misrepresent your age for the purpose of procuring alcoholic beverages;
 - Drive under the influence (regardless of age);
 - Have a blood alcohol level of 0.02 or higher while driving a vehicle if under the age of 21 or 0.08 or higher while driving a vehicle if you are 21 years of age or older;
 - Have an open container of an alcoholic beverage in a moving vehicle (regardless of age);
 - Be intoxicated in public (regardless of age);
 - Manufacture, distribute, possess or use illegal drugs (regardless of age);
 - Possess or use drug paraphernalia (regardless of age).
- **Academy of Cosmetology and Wella Professionals School Sanctions** will be imposed consistent with procedures used in other disciplinary actions. Violations of drug and alcohol standards are the most serious type, and may result in sanctions up to expulsion from either program. Failure to comply with applicable laws as well as this policy may subject an individual or group to civil or criminal proceedings and/or appropriate sanctions as listed below. Individuals will be held responsible for their behavior while under the influence of alcohol and/or illegal drugs. Violations of this policy will be referred to the appropriate departments and agencies. Students and student organizations may be subject to sanctions by more than one department or agency, including the Standards of Conduct, and any local, state or federal law enforcement agencies.

The Academy of Cosmetology understands the requirements of the Federal Drug Free Schools and Communities Act Amendment of 1989 (Public Law 102-226) which contains Section 22, Drug-Free Schools and Campuses, which was enacted to ensure that any College of higher education that receives funds under any federal program has adopted and implemented a program to prevent the use of illicit drugs and abuse of alcohol by students [as listed below]. The institution also confirms that no student may engage in the unlawful possession, use or distribution of illicit drugs and alcohol on the school's property or as part of any of its sponsored activities. Such unlawful activity may be considered sufficient grounds for serious punitive action, including expulsion. If a student is convicted (including a plea of nolo-contendere) of committing certain felony offenses involving any criminal drug and/or alcohol statute of any jurisdiction, regardless of whether the alleged violations occurred at the institution or elsewhere, the student will be suspended immediately and denied state and/or federal financial aid funds from the date of conviction. The Academy of Cosmetology shall notify the appropriate state/federal funding agency

1. within 10 days after receiving notice of the conviction from the student or otherwise after receiving the actual notice of conviction
2. within 30 days of notification of conviction, the institution shall with respect to any student so convicted:

- a. Take additional appropriate action against such student up to and including expulsion as it deems necessary.
- b. Provide such student with a description of any drug or alcohol counseling treatment, or rehabilitation or re-entry programs that are available for such purposes by a federal, state, or local health, law enforcement or other appropriate agency.

The Academy of Cosmetology recognizes that it is responsible for ensuring the development and implementation of a drug-free awareness program to inform students of the following:

1. The dangers of drug and alcohol abuse on the campus and elsewhere
2. Any available drug and alcohol counseling, rehabilitation and assistance programs. and

Section 22 Drug-Free Schools and Campuses.

(a) In General-

1. Certification of Drug and Alcohol Abuse Prevention Program - Title XII of the Higher Education Act of 1965 (20U.S.C. 1001 et seq.) is amended by adding at the end a new section 1213 to read as follows: "Drug and Alcohol Abuse Prevention" Sec. 1213(a) Notwithstanding any other provision of law, no institution of higher education shall be eligible to receive funds or any other form of financial assistance under any Federal program, including participation in any federally funded or guaranteed student loan program, unless it certifies to the Secretary that it has adopted and has implemented a program to prevent the use of illicit drugs and the abuse of alcohol by students and employees that, at a minimum, includes

(1) the annual distribution to each student and employee of:

- (A) standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on its property or as part of any of its activities;
- (B) a description of the applicable legal sanctions under local, State, or Federal law for the unlawful possession or distribution of illicit drugs and alcohol;
- (C) a description of the health risks associated with the use of illicit drugs and the abuse of alcohol;
- (D) a description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to employees or students; and
- (E) a clear statement that the institution will impose sanctions on students and employees (consistent with local, State, and Federal law), and a description of those sanctions, up to and including expulsion or termination of employment and referral for prosecution, for violations of the standards of conduct required by paragraph (1)(A); and

(2) a biennial review by the institution of its program to

- (A) determine its effectiveness and implement changes to the program if they are needed; and

(B) ensure that the sanctions required by paragraph (1)(E) are consistently enforced.

Below is a summary of South Carolina alcohol and drug laws. This is not meant to be an exhaustive listing:

STATE LAW	PENALTY	SC CODE OF LAWS SECTION
STATE LAW - ALCOHOL		
Purchase, consumption or possession of beer, wine or alcoholic liquors under the age of 21	Fine of \$100 - \$200 and/or imprisonment for not more than 30 days. Required completion alcohol prevention program.	§63-19-2440 §63-19-2450
Lying or providing false information about age for purpose of purchasing beer, wine or alcoholic liquors	Fine of \$100 - \$200 and/or imprisonment for not more than 30 days.	§ 61-4-60
Open container of beer or wine in motor vehicle	Fine up to \$100 or imprisonment for not more than 30 days.	§ 61-4-110
Purchase of beer or wine for underage person	Fine of \$200 - \$300 and/or imprisonment for not more than 30 days for 1st offense. Fine of \$400 - \$500 and/or imprisonment for not more than 30 days for 2nd or subsequent offense.	§ 61-4-80
Transfer of beer or wine to underage person	Fine of \$200 - \$300 and/or imprisonment for not more than 30 days for 1st offense. Fine of \$400 - \$500 and/or imprisonment for not more than 30 days for 2nd or subsequent offense.	§ 61-4-90 see also §61-6-4070
		May be sentenced under both statutes for same offense.

Altering and Fraudulent Use of Driver's License	Fine up to \$200 or imprisonment for not more than 30 days for 1st offense. Fine up to \$500 or imprisonment for not more than 6 months for 2nd or subsequent offense.	§ 56-1-510
Operation a Motor Vehicle while Under the Influence of Drugs or Alcohol or Driving with an Unlawful Alcohol Concentration	Fines and/or imprisonment vary depending on number of offenses. Also suspension of license and required completion of Alcohol and Drug Safety program pursuant to § 56-5-2990. Can also require installation of ignition interlock device for subsequent offender (§ 56-5-2941)	§ 56-5-2930 § 56-5-2933
Felony Driving Under the Influence causing bodily harm or death to someone while driving under the influence of alcohol, drugs or any combination thereof	Fine of \$5,100 - \$10,100 and mandatory imprisonment for 30 days - 15 years when great bodily injury results. Fine of \$10,100 - \$25,100 and mandatory imprisonment for 1 to 25 years when death results. Can also require installation of ignition interlock device for subsequent offender (§ 56-5-2941)	§ 56-5-2945
Contributing to Delinquency of a Minor - It is against the law for any person over 18 years of age to knowingly and willfully influence a minor to violate a law or ordinance.	Fine up to \$3,000 and/or imprisonment for not more than 3 years	§ 16-17-490
Public Disorderly Conduct	Fine up to \$100 or imprisonment up to 30 days.	§ 16-17-530
Open Containers on Sundays (between 12:00 Saturday night and sunrise Monday morning)	Fine up to \$100 or imprisonment up to 30 days.	§ 16-4-140

STATE LAW – DRUGS

Possession and Distribution of Controlled Substances (i.e., cocaine, crack, marijuana, etc.)	Penalty varies depending on circumstances of arrest, the drug type and the amount.	§ 44-53-370
Possession manufacturing and trafficking of methamphetamine and cocaine based or other controlled substances	Penalty varies depending on circumstances of the arrest.	§ 44-53-375
Distribution of Controlled Substance within Proximity of a School	Penalty varies depending on circumstances and drug. Fines can exceed \$10,000 and/or imprisonment for up to 15 years.	§ 44-53-445
Possession or Sale of Drug Paraphernalia	Fine up to \$500 for individual. Fine up to \$50,000 for corporations	§ 44-53-391
Exposing of Child to Methamphetamine	1st Offense - up to \$5,000 fine and/or 5 years imprisonment	§ 44-53-378 § 44-53-376
Disposal of waste from production of methamphetamine	2nd or Subsequent Offense - up to \$10,000 fine and/or up to 10 years imprisonment. 1st Offense - up to \$5,000 fine and/or 5 years imprisonment 2nd or Subsequent Offense - up to \$10,000 fine and/or up to 10 years imprisonment.	

FEDERAL LAW – DRUGS

Summary of federal laws related to illicit drugs: Federal law prohibits the possession and distribution of illegal drugs. The severity of sanction imposed depends on the type and quantity of drugs, prior convictions, and whether death or serious injury occurred. Penalties can be increased for offenses which involve distribution to minors. Federal laws require or permit forfeiture of personal or real property used to illegally possess, facilitate possession, transport or conceal a controlled substance. A person's ability to purchase a firearm or receive federal benefits such as student loans, grants, contracts or professional or commercial licenses may be revoked or denied as a result of drug conviction.

For more detailed information about federal drug possession and trafficking penalties, see <http://www.fas.org/sgp/crs/misc/RL30722.pdf>.

HEALTH RISKS

Substance abuse and drug dependency are problems of staggering size in our society today. They are the leading causes of preventable illness and injury in the United States, and are estimated to afflict over 25 million Americans. While alcoholism may develop in anyone, it tends to appear first between the ages of 20 and 40, and is more prevalent when a family history of alcohol abuse exists.

Alcohol abuse is often characterized by one of three different patterns: (1) regular and daily use, (2) drinking large amounts of alcohol (binging) at specific or irregular times, or (3) periods of sobriety interspersed by periods of heavy drinking and intoxication. The disorder is progressive, and is usually fatal. If you recognize any tendencies toward alcohol abuse in yourself, your friends, or loved ones, *please seek help*

Health risks of other drugs include:

- Narcotics (including opium, morphine, codeine, heroin and others). Physical addiction, loss of awareness, respiratory restriction, and possible death.
- Depressants (including barbiturates, Quaaludes, and others). Slurred speech, disorientation, shallow respiration coma likely with overdose.
- Stimulants (including cocaine, amphetamines, and others). Increased heart rate and blood pressure, possibly leading to death, increased excitation, and/or loss of appetite.
- Hallucinogens (including LSD, "mushrooms," PCP, mescaline, and others). Illusions and hallucinations, poor perception of time and distance, psychotic and unpredictable behavior, often leading to injury and arrest. Symptoms may reappear (flashback) sometime after use.
- Cannabis (marijuana, hashish, THC, others). Unrealistic euphoria, diminished inhibitions, disoriented behavior, diminished motivation, increased pulse.

COUNSELING AND OTHER ASSISTANCE

Help is available An Alcoholics Anonymous group meets NEAR the campus and is open to all interested parties. Community resources are also available and can be accessed through the Positive Feedback Counseling (843) 744-1447 or Alcohol & Drug Treatment Center (803) 788-4048. The Academy of Cosmetology and the Wella Professionals School will support the effort of any employee seeking assistance in a treatment program.

Student Compliance with the Academy of Cosmetology Drug and Alcohol Policy

All students at the Academy of Cosmetology are expected to abide by the terms of this policy. Any student found to be in possession or illegally using drug and/or alcohol may be subject to appropriate sanctions. Such sanctions may include:

- referral for prosecution
- expulsion, and/or
- referral to the proper authorities for violations of the Student Standards of Conduct as described in this policy

Any disciplinary sanction may include the referral to the completion of an appropriate rehabilitation program. The use, possession, or distribution of alcohol, narcotics, amphetamines, barbiturates, marijuana, hallucinogens, and any other dangerous or controlled drugs, not prescribed by a physician, is prohibited on any property or at any sponsored events of the Academy of Cosmetology. Except for cases in which the Academy of Cosmetology has previously taken disciplinary action against a student for the same offense, such suspension shall be effective as of the date of conviction, even though the Academy of Cosmetology may not complete all administrative actions necessary to implement such suspension until a later date. Except for cases in which the Academy of Cosmetology has already imposed disciplinary sanctions for the same offense, such suspension shall continue through the end of the term for which the student was enrolled as of the date of conviction. The student shall forfeit any right to any academic credit otherwise earned or earnable for such term and the Academy of Cosmetology prior to the completion of administrative actions necessary to implement such suspension.

The Academy of Cosmetology has the responsibility of upholding federal, state, and local laws regarding the use of drugs and alcohol. Students who choose to possess or use unlawful drugs or misuse lawful drugs or alcohol subject themselves to both arrest and prosecution,

Finding #28: Lack of Separation of Duties

The Academy of Cosmetology submits as response to this finding the following that address and resolve the stated concerns of the program review.

STUDENT FINANCIAL AID

DISBURSEMENT PROCEDURES

SEPARATION OF FUNCTIONS: AUTHORIZATION AND DISBURSEMENT

Title IV Regulations, as well as good financial policy, require that functions relative to authorization of funds being disbursed and the actual disbursement of those funds be separated into different offices and controlled by different persons. All student financial aid disbursements will be authorized by the Financial Aid Office and all disbursement functions will be performed by the Business Office. Notification of awards through the Premiere Administrative System to the Business Office signals the beginning of fiscal responsibility by the Business Office.

DUTIES AND RESPONSIBILITIES OF THE FINANCIAL AID OFFICE

The Financial Aid Office is responsible for student financial aid applications for Federal, State, and Institutional funds. Maintains the functions of:

- Determination of student aid awards and payments after verifying availability of funds and confirming with Federal and State laws and regulations.
- Maintains program data required for Federal and State reports.
- Coordinates closely with the Business Office relative to payments and recordkeeping.
- Informs the Business Office of each student's award, by aid program and amount.
- The Financial Aid Office authorizes student aid payments after verifying student enrollment status with the Education Staff and/or Education Director and confirms with Federal and State regulations.

If the student is the recipient of a Federal Direct Stafford Loan, a copy of the promissory note is kept in the Financial Aid office file and the original of the promissory note is maintained on the web at <https://studentloans.gov/myDirectLoan/index.action> for permanent access.

PAYMENT DETERMINATION

All awards are based upon full-time attendance and may be reduced according to the student's schedule of hours in their program or by changes in enrollments as is re-entry into study.

- Full-time status is the calculation of all students enrollments in a clock hour program – full time financial aid payments are scheduled on a 900 clock hour academic year.
- 2nd Academic Year students in the cosmetology programs are attempting 600 hours as a full time student and are subjected to pro-rated eligibility of Federal Student Aid.
- Re-Entry and/or Returning students who have separated from enrollment prior are funded for number of hours remaining in their program of study divided by 900 hours at a pro-rated rate.

STUDENT FINANCIAL AID

SEPARATION OF FUNCTIONS: AUTHORIZATION AND DISBURSEMENT

DUTIES AND RESPONSIBILITIES OF THE BUSINESS OFFICE

Process student aid payments as authorized by Student Financial Aid Officer after verifying availability of funds from disbursement approvals through the 3rd party servicer Boston Education Network [B.E.N.] in methods that conform to Federal and State fiscal laws and regulations. Disbursements of appropriate financial aid funds will include tuition, fees, bookstore charges, authorized expense, and other charges such as emergency loans and child care.

- Prepare and process necessary financial documents and reports to obtain and disburse financial aid funds.
- Exercise accounting internal controls by means of appropriate recordkeeping with segregation of duties.
- Maintain appropriate Premiere records by individual students, showing aid received by program, and, maintaining balances due from programs.
- Maintain financial data required by Federal and State reports.
- Coordinate closely with the Financial Aid Office relative to payments and recordkeeping.

REGISTRATION PROCEDURES – CREDIT FSA Title IV against TUITION

- Post Tuition the charges per enrollment agreement to individual account ledgers.
- Verify the student is eligible for financial aid by checking the account information in the Premiere system or other documents as provided by the Financial Aid Office.
- To corroborate estimated financial aid award levels, the Premiere system is checked for the number of eligible hours each student has earned compared to the hours scheduled to date.
- Estimated financial aid award amounts will be posted via the Premiere system and will be based on the student's hours in their enrollment status. All aid will be applied toward fees, tuition, books, emergency loans and authorized expense.
- Verify amounts credited against the students account as reported by the Financial Aid Office.

DISBURSEMENT FOR BOOKS

Upon completion of the orientations at the start of classes, and, based on information received from the Financial Aid Office regarding the eligibility for FSA Title IV funds and or payment arrangements, the Business Office will notify the students of the availability of their books and kit.

DISBURSEMENT OF FINANCIAL AID FUNDS

Estimated financial aid amounts shown on the student's award letter do not constitute an actual disbursement of funds. Draw down of appropriate federal funds through the 3rd party servicer will be completed in multiple disbursements based on academic progress and in accordance with federal cash management regulations. The financial aid department will notify the 3rd party servicer of those who meet eligibility requirements and provide the student list with fund sources identified to the business

office where posting of funds for disbursement will occur within three business days after receipt of appropriate federal funds.

After the student's tuition, fees, books and other charges have been subtracted from the authorized disbursement award during each award year, the Business Office will issue an authorized expense check to the student for any excess amount. Students with insufficient financial aid awards will be expected to pay for the additional cost of their program through their own resources to the institution. The Business Office will disburse Student Financial Aid authorized expense checks to the student in a timely manner after posting of funds to the student's account within 14 days as required by C.F.R. regulations governing the handling of excess or credit balance funds.

STUDENT FINANCIAL AID

RECORDKEEPING

The Campus Business Office must maintain careful records of disbursements to students by:

- Aid programs
- Category (tuition, fees, bookstore, authorized expense, emergency loans, child care)
- Fiscal Guidelines/Financial Aid C.F.R. requirements

As indicated in the previous section of Disbursement Procedure, the functions of student aid authorization and disbursement must be separated. Likewise, recordkeeping related to those functions must be controlled by different offices and persons. Recordkeeping in the Student Financial Aid Office is award-oriented. The Financial Aid Office will maintain declining balance records in Premiere and in connection with the submission and reconciliation of each FSA program fund source with Boston Education Network [B.E.N.] the 3rd party servicer of the Federal Student Aid programs, being careful not to over-award funds as associated with the Federal Supplemental Education Opportunity Grant [FSEOG] program which has limited funds available. It is especially important that each student's records indicate an up-to-date balance of disbursed funds, and, a true value of the amount of awarded funds not yet authorized for disbursement.

The Financial Aid Office will also maintain such data on recipients as may be required by other third-party agencies to who they must report, an example is the Veteran's Education Benefits program. For reporting purposes and for their own expenditure authorization control, the Aid Office must work closely with the Business Office in order to be certain that the format of disbursement records will provide relevant report data.

RECORD KEEPING – BUSINESS OFFICE

Student financial aid record keeping in the Business Office is disbursement oriented. The Business Office makes the disbursements relative to authorized awards by the Financial Aid Office. The record keeping format for these disbursements must be designed in close coordination with the Financial Aid Office because of the required periodic reports of financial aid disbursements for internal planning and required external reports. The data must be retrievable in a form which meets the needs of the financial aid office.

In general, the Business Office computerized record keeping system must incorporate the essential elements of the following sample system.

1. General Ledger – Each Program (Control)
 - a. The total award is the control amount. Institutional matching portions will be posted in the appropriate columns as "awards".
 - b. Administrative expense estimate is encumbered at the beginning of the period by a "disbursement" entry. This "Reserve for Administrative Expense" is adjusted at the end of the period to reflect the actual disbursement. Appropriate formulas must be used to determine this estimate.
 - c. Invoices are posted here, in total.

The following subsidiary ledgers for students and administrative expense are established from the Business Office copy of the award letter.

1. List a separate column for each program in which a student has an award.
2. Awards by student, by program are the control amounts for those columns.
3. Invoice amount for each student is entered in the appropriate column.
4. Federal – State portions need not be separated on the student ledgers.
5. Book-entry actual disbursements for Administrative Expense will be posted on a subsidiary ledger similar to those for individual students.

The following means of Control are reviewed monthly to ensure compliance with all requirements.

1. The total of all student ledger amounts posted from any one invoice must equal the total amount posted to the general ledger.
2. Total year-to-date disbursements for all students in any program must equal total disbursements in the general ledger for that program.
3. Total disbursements for all students, for all programs must equal total disbursements in the general ledgers for all programs.
4. The general ledgers may be separate sheets or may be a series of columns as in the student's subsidiary ledgers, including miscellaneous

Additional features which may provide pertinent data may be added at the discretion of the Business Office and in coordination with the Financial Aid Offices. Examples of this would be:

- 1 Declining balance columns.
- 2 Other ledgers & subsidiary ledgers (to reflect such items as returns from previous years, etc.)
- 3 Changes in award amounts, eligibility status or other factors affecting disbursements will be fully documented in Premiere by the Aid Office and forwarded to the Business Office on a timely basis for implementation.

VERIFYING THE STUDENT'S INTERNAL CHARGES

After each student's tuition, fees, bookstore and other charges are verified, an individual check will be written to that student for the balance of their authorized disbursement for any remaining credit balance for the academic year charges. Tuition and fee charges are totaled and originate from the enrollment agreements for each start profile at each campus. Once students begin their academic studies the charges are appropriated against the individual student accounts. After all student bookstore charges are determined, by campus, and all kits costs are invoiced to student accounts a remaining balance report will be run to determine if any funds are due for students with credit balances.

QUARTERLY REPORTING

Schedule: 30 days after the end of each calendar quarter (by April 30, July 30, Oct. 30 and January 30) a copy of the "Quarterly Reconciliation of the SFA Funds" shall be reviewed with the 3rd party servicer and verified as complete with the Director. The Business Office reports on the following transactional history:

- 1 A summary of the quarter's activity for each aid program disbursed through the 3rd party servicer.
- 2 A reconciliation of the SFA awards outstanding vs SFA funds deposited on all currently attending students as of the last date of each calendar quarter (March 31, June 30, September 30, December 31).
- 3 Total cash on hand for each institutional account

The Signature of Business Office is required.

EXCESS CASH BALANCES

In accordance with responsible cash management, federal financial aid cash balances, which cannot be transferred or cannot be utilized in another program at the end of the third business day after receipt of federal funds, shall be returned to the appropriate fund source through the 3rd party servicer. The required action shall be determined jointly by the Campus Business Manager and Director on a case-by-case basis. After all disbursements for an aid program have been made for respective fiscal year, federal financial aid cash balances shall be returned through the 3rd party servicer no later than September 15th, of each fiscal year. In no case shall funds from different fiscal years for the same program be commingled.

Final Program Review Determination
PRCN #: 201230427939

Appendix D
Program Review Report

Prepared for

Academy of Cosmetology



START HERE
GO FURTHER
FEDERAL STUDENT AID

OPE ID 03088300

PRCN 201230427939

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Team - Atlanta

Program Review Report

July 18, 2012

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Academy of Cosmetology
OPE ID: 03088300
PRCN: 201230427939
Page 2

A. Institutional Information

Academy of Cosmetology
5117 Dorchester Rd.
Charleston, SC 29418-5667

Type: Proprietary

Highest Level of Offering: Diploma

Accrediting Agency: National Accrediting Commission of Cosmetology Arts & Sciences

Current Student Enrollment: 51 (2012)

% of Students Receiving Title IV: 84% (2011)

Title IV Participation (Funding Data Summary/PCNet):

	2011
Federal Pell Grant (Pell)	\$389,335.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 8,533.00
William D. Ford Direct Loan	\$457,962.00

Default Rate FFEL/DL:	2009 9.4%
	2008 5.0%
	2007 1.8%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Academy of Cosmetology (AOC) from May 7, 2012 to May 11, 2012. The review was conducted by Robert Scott, Melody Parker-Venable and Pamela Clemmer.

The focus of the review was to determine AOC's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of AOC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2011 and 2012 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning AOC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve AOC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by Academy of Cosmetology to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding #1. Lack of Administrative Capability

Citations: *34 C.F.R. § 668.24 (a), states that an institution shall establish and maintain, on a current basis, any application for Title IV, HEA program funds and program records that document—*

(1) Its eligibility to participate in the Title IV, HEA programs;

- (2) The eligibility of its educational programs for Title IV, HEA program funds;*
- (3) Its administration of the Title IV, HEA programs in accordance with all applicable requirements;*
- (4) Its financial responsibility, as specified in this part;*
- (5) Information included in any application for Title IV, HEA program funds; and*
- (6) Its disbursement and delivery of Title IV, HEA program funds.*

An institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis—

- (i) Financial records that reflect each HEA, Title IV program transaction; and*
- (ii) General ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity.*

In addition, 34 C.F.R. § 668.32 of the General Provisions states that a school participating in the FFEL Program is eligible to receive Title IV, HEA program assistance if the student—

- (i) Is a regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution;*
- (ii) For purposes of the FFEL and Direct Loan programs, is enrolled for no longer than one twelve-month period in a course of study necessary for enrollment in an eligible program; or*
- (iii) For purposes of the Federal Perkins Loan, FWS, FFEL, and Direct Loan programs, is enrolled or accepted for enrollment as at least a half-time student at an eligible institution in a program necessary for a professional credential or certification from a State that is required for employment as a teacher in an elementary or secondary school in that State;*

For purposes of the FFEL and Direct Loan programs, is at least a half-time student; Is not enrolled in either an elementary or secondary school.

Noncompliance: During the review, the following areas of Title IV non-compliance were noted and are considered to demonstrate a lack of administrative capability by Academy of Cosmetology in administering the Title IV Federal Student Aid Programs.

- Institution Not Following Its Own Policies
- Satisfactory Academic Progress (SAP) Policy Inadequate
- Leave of Absence Deficiencies
- Failure to Perform Entrance/Exit Counseling
- Return of Title IV (R2T4)

- Verification Violations
- Aggregate Loan Limits Exceeded
- Excess Cash Maintained
- Inaccurate Ledgers
- Cost of Attendance/Need Exceeded
- Missing ISIRs
- Prior Year Charges
- Lack of Internal Controls

Required Action: Each area is discussed more fully in the remainder of this report which outlines the actions necessary by Academy of Cosmetology to correct these deficiencies. However, in response to this finding the institution must submit to the Department a comprehensive plan to improve the school's administrative capability.

Finding #2. Inaccurate COD/Ledger disbursement dates

Citation: *34 C.F.R. § 668.24(c), Student Assistance General Provisions, states the records that an institution must maintain in order to comply with the provisions of this section include, but are not limited to, the date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of Federal Work Study wages.*

34 C.F.R. § 668.24(d), Student Assistance General Provisions, states an institution shall maintain required records in a systematically organized manner. A school's fiscal records must provide a clear audit trail that shows that funds were received, managed, disbursed, and returned in accordance with federal requirements.

34 C.F.R. § 690.75, Determination of Eligibility for Payment, states that for each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the student—

- (1) Qualifies as an eligible student under 34 CFR Part 668, Subpart C;*
- (2) Is enrolled in an eligible program as an undergraduate student; and*
- (3) If enrolled in a credit hour program without terms or a clock hour program, has completed the payment period as defined in §668.4 for which he or she has been paid a Federal Pell Grant.*

34 C.F.R. § 685.303, Processing of the Proceeds of a Direct Loan, states that schools shall follow the procedures for disbursing funds in 34 C.F.R. § 668.164.

Noncompliance: The reviewers found that the disbursement dates in the Common Origination and Disbursement System (COD) did not match the disbursement dates on the student ledgers at the school. For example:

Student #1: COD shows a loan disbursement for the student on 09/28/2010 for \$1,742.00 but the disbursement was not posted until 10/05/2010.

Student #2: COD shows loan disbursements for the student on 07/01/2010 of \$1,742.00 and \$2,985.00 but these disbursements were not posted until 08/24/2010. Additionally, the student also had loan disbursements on 08/31/2010 for \$1,742.00 and \$2,985.00 but these disbursements were not posted until 12/02/2010.

Student #4: COD shows a subsidized loan disbursement of \$1,742.00 on 06/07/2011 that was not posted to the student ledger until 07/26/2011. COD shows an unsubsidized loan disbursement of \$1,000.00 on 06/07/2011 that was not posted to the student ledger until 07/26/2011. COD shows two PLUS loan disbursements for \$5,000.00 each on 05/17/2011 and 06/21/2011 with both disbursements being posted to the student ledger on 07/26/2011.

Required Action: This issue is systemic across both award years and affects both grant and loan funds. Therefore, the institution must reenter the COD system and adjust the COD disbursement dates for any Title IV disbursements made for the 2010-2011 and 2011-2012 award years so that they accurately reflect the actual disbursement dates shown on the student ledgers.

The school must inform the Department of when this corrective action is expected to be resolved and provide written assurance that the adjustments have been made. Going forward, the institution must work diligently to ensure that the COD disbursement dates are correct and in alignment with the student ledger disbursement dates. The institution must update its procedures for processing Title IV funds and provide a copy of the updated procedures to the Department detailing resolution of this issue so that it will not occur in the future.

Finding #3. Excess Cash Maintained

Citation: 34 C.F.R. § 668.166, General, states that the Secretary considers excess cash to be any amount of title IV, HEA program funds, other than Federal Perkins Loan Program funds, that an institution does not disburse to students or parents by the end of the third business day following the date the institution—

- (i) Received those funds from the Secretary; or
- (ii) Deposited or transferred to its Federal account previously disbursed title IV, HEA program funds received from the Secretary, such as those resulting from award adjustments, recoveries, or cancellations.

An institution may maintain for up to seven days an amount of excess cash that does not exceed one percent of the total amount of funds the institution drew down in the prior award year. The institution must return immediately to the Secretary any amount of

excess cash over the one-percent tolerance and any amount remaining in its account after the seven-day tolerance period.

Upon a finding that an institution maintains excess cash for any amount or timeframe over that allowed in the tolerance provisions in paragraph (b) of this section, the actions the Secretary may take include, but are not limited to—

- (1) Requiring the institution to reimburse the Secretary for the costs the Secretary incurred in providing that excess cash to the institution; and*
- (2) Providing funds to the institution under the reimbursement payment method or cash monitoring payment method described in §668.163(d) and (e), respectively.*

Noncompliance: The reviewers found that because AOC drew down funds through the G5 system without applying those funds to student accounts within the appropriate time frames, excess cash balances were maintained.

Required Action: In response to this finding, AOC will not be required to conduct a separate file review given the corrective actions required in other findings in this report will result in the identification of any ineligible Title IV funds. However, AOC must develop policies and procedures to adhere to the cash management rules and regulations. A copy of these procedures must be submitted to this office.

Finding #4. Financial Aid Need Exceeded

Citation: *The cost of attendance is determined by the Higher Education Act, Sec. 472. The law specifies the types of costs that are included in the COA. The COA is the cornerstone of establishing a student's financial need, as it sets limits on the total aid a student may receive. 34 C.F.R. § 668.603, Student Assistance General Provisions, states a school may not certify a Stafford or PLUS loan, or a combination of loans for a loan amount that exceeds the student's estimated cost of attendance for the period of enrollment, less the student's financial assistance for that period; and in the case of a subsidized loan, the expected family contribution for that period.*

Noncompliance: The reviewers found one (1) student that had a need based over award. Further, the cost of attendance was not made available to students.

Student #4: The Cost of Attendance is listed at \$18,500.00 for this student. The student has an EFC of \$23,622.00. This equals a need of -\$5,122.00. The student was awarded \$3,500.00 in need based funding, unsubsidized loans in the amount of \$2,000.00 and a PLUS loan in the amount of \$10,000.00. This equates to total funds of \$15,500.00 that were disbursed to this student. The need based aid for the student exceeds the student's need by \$3,500.00.

Required Action: Exceeding the financial need of a student's education may lead to the student receiving loans that are not necessary and a financial burden on the student. The institution must update its procedures and detail how this issue will be avoided in the future. If possible, the institution must also reclassify the subsidized loan for the above listed student as an unsubsidized loan as the student was not eligible for need based funding. Further, the institution must explain how it will make the cost of attendance available to students going forward.

Finding #5. Early/Late disbursement of Title IV Funds

Citation: 34 C.F.R. § 668.164, *Disbursing funds*, states that an institution must disburse title IV, HEA program funds on a payment period basis. An institution must disburse title IV, HEA program funds once each payment period unless—

- (i) For FFEL and Direct Loan funds, 34 C.F.R. 682.604(c)(6)(ii) or 34 C.F.R. 685.301(b)(3) applies;
- (ii) For federal Perkins Loan, FSEOG, Federal Pell Grant, ACG and National SMART Grant funds, an institution chooses to make more than one disbursement in each payment period in accordance with 34 C.F.R. 674.16(b)(3), 34 C.F.R. 676.16(a)(3), 34 C.F.R. 690.76, or 34 C.F.R. 691.76, as applicable; or
- (iii) Other program regulations allow or require otherwise.

34 C.F.R. § 682.604, *Processing the borrowers loan proceeds and counseling borrowers*, states that unless the provision of 682.207(d) applies, if a loan period is more than one payment period, the school must deliver loan proceeds at least once in each payment period; and for a loan certified under 682.602(f)(1)(i)(B), the school may not make the second delivery until the student successfully completes half of the number of credit hours or clock hours and half of the number of weeks of instructional time in the payment period. The school must deliver loan proceeds in substantially equal installments and no installment may exceed one-half of the loan.

Noncompliance: The reviewers found instances where loan proceeds were either drawn down too early or were not posted to the student ledger within the awarded payment period. Proceeds not posted within the awarded payment period were posted in subsequent payment periods.

Student #19: The student had a subsidized loan for \$3,500.00 and an unsubsidized loan for \$6,000.00 for the 2011/2012 award year. The student started classes on 02/21/2012 and the initial loan disbursements of \$1,750.00 and \$3,000.00 were drawn down in COD on 02/22/2012 and posted to the student's ledger on 03/13/2012. The student has no prior Title IV award history.

Student #20: The student had subsidized and unsubsidized loans for \$3,500.00 and \$2,000.00 for the 2011/2012 award year. The initial disbursements of \$1,750.00 and \$1,000.00 were posted to the student's account on 01/10/2012 and 01/17/2012 which was after the initial payment period which ended 12/21/2011.

Student #21: The student had a subsidized loan for \$3,500.00 for the 2010/2011 award year. Both disbursements for the loan (\$1,750.00 each) were posted on 04/21/2011. The initial disbursement was posted in second payment period.

Student #22: The student had Pell Grant funds of \$3,700.00, subsidized loan funds of \$1,582.00, and unsubsidized loan funds of \$2,713.00 for the 2011/2012 award year. While all payments were split into two equal halves, all payments were posted on the same day (01/17/2012). All disbursements were late as funds were posted after the student graduated.

Student #24: The student had Pell Grant funds of \$1,700.00, subsidized loan funds of \$3,500.00, and unsubsidized loan funds of \$2,000.00 for the 2010/2011 award year. The student also had Pell Grant funds of \$1,000.00, subsidized loan funds of \$3,000.00 and unsubsidized loan funds of \$4,000.00 for the 2011/2012 award year. While all payments were split into two equal halves, all payments were posted on the same day (ie. 2010 unsub loan had two payments of \$995.00 posted on 01/22/2011, 2011 Pell Grant had two payments of \$500.00 posted on 05/02/2012).

Student #25: The student had subsidized and unsubsidized loans for \$3,500.00 and \$4,000.00 for the 2010/2011 award year. The initial disbursements of \$1,750.00 (sub) and \$2,000.00 (unsub) were drawn down in COD and posted to the student ledger on 01/06/2011 which was prior to the 30 day waiting period for students with no prior Title IV awards. The student started classes on 01/03/2011.

Student #28: The student had subsidized and unsubsidized loans for \$3,000.00 and \$6,000.00 for the 2011/2012 award year. The initial disbursements of \$1,750.00 (sub) and \$3,000.00 (unsub) were drawn down in COD and posted to the student ledger on 04/05/2012 which is before the 30 day waiting period for students who have no prior Title IV awards. The student started classes on 03/22/2012.

Student #30: The student had a subsidized loan for \$3,500.00 for the 2011/2012 award year. While all payments were split into two equal halves, all payments were posted on the same day (01/18/2012). The initial disbursement was posted late.

Required Action: The school's response to this finding must explain corrective actions the institution will take to ensure the correct disbursement of Federal funds in the future.

Due to the extensive errors discovered during the 2010/2011 and 2011/2012 award years, the institution must also review all of its files for the reviewed award years for all

students who received Title IV funds to determine those students for whom Title IV aid was not disbursed properly. Once the institution has completed its file review, it must provide a list of all students identified by its file review whose Title IV aid was not disbursed/posted timely.

Please provide this information in the following format:

- Student Name
- Social Security Number
- Start Date
- Withdrawal Date/Graduation Date/Still Enrolled
- Hours Scheduled to Complete in Payment Period or Period of Enrollment
- Total Hours in Payment Period or Period of Enrollment
- Amount of Aid Posted to Student Account Broken Down by Program
- Program(s) Aid Received From (ie. Pell, Loans, SEOG)
- Date Funds Posted to Student Account
- Date Funds Should Have Been Posted to Student Account

Please submit the results of your review electronically. Return the file to Robert Scott by email at Robert.L.Scott@ed.gov. AOC must submit the data file in a .zip file encrypted with AES encryption (256-bit is preferred).

The institution must also update its procedures to ensure that these errors do not happen again in the future. A copy of the institution's revised policies and procedures for R2T4 should also be included with the institution's response to this report. The institution must engage an Independent Public Accountant (IPA) to test the file review completed by AOC. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Robert Scott within 30 days of the Institution's receipt of the Program Review Report. Robert Scott will review the procedures, indicate if any changes are needed, and/or approve the procedures. In addition, the auditor must supply a confirmation statement that the file review conducted by AOC was accurate.

Any liabilities for this finding will be addressed in the Final Program Review Determination (FPRD) letter.

Finding #6. Pell Under Award

Citation: *34 C.F.R. § 690.62, Federal Pell Grant Program, states the amount of a student's Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year.*

Noncompliance: The reviewers identified multiple students for whom Federal Pell Grant funds were under awarded.

Student #3: The student was entitled to \$3,700.00 for the last 600 clock hours of the course based on a 516 EFC (this constitutes 2/3 of full Pell based on a 900 clock hour award year). This would have resulted in two payments of \$1,850.00. The student received two payments of \$1,666.00. The student was under awarded by \$368.00.

Student #6: The student was entitled to \$3,700.00 for the last 600 clock hours of the course based on a zero EFC (this constitutes 2/3 of full Pell based on a 900 clock hour award year). This would have resulted in two payments of \$1,850.00. The student received one payment of \$1,850.00 and one payment of \$925.00. The student was under awarded by \$925.00.

Student #9: The student awarded \$1,176.00 in Pell funds which was disbursed in COD on 02/01/2011. Only one disbursement of \$588.00 is showing on ledger on 02/15/2011.

Required Action: The institution must also provide a copy of its updated procedures to ensure that future students are not under awarded Federal Pell Grant funds.

Due to the errors discovered during the 2010/2011 award year, the institution must review all of its files for the reviewed award years for all students who received Pell Grant funds to determine if the funds were properly disbursed and/or prorated. Once the institution has completed its file review, it must provide a list of all students identified by its file review who had funds that were incorrectly prorated or disbursed.

Please provide this information in the following format:

- Student Name
- Social Security Number
- Start Date
- Withdrawal Date/Graduation Date/Still Enrolled
- Hours Scheduled to Complete in Payment Period or Period of Enrollment
- Total Hours in Payment Period or Period of Enrollment
- Original Amount of the Pell Funds Calculated By School and Award Year
- Recalculated Amount of the Pell Funds Calculated By School and Award Year
- Difference in Original Amount/Recalculated Amount

Please submit the results of your review electronically. Return the file to Robert Scott by email at Robert.L.Scott@ed.gov. AOC must submit the data file in a .zip file encrypted with AES encryption (256-bit is preferred). For all students the institution discovers who were under awarded, the institution must also submit student ledgers showing the difference has been posted. The institution may also want to request extended processing through COD for resolution of this finding.

The institution must engage an Independent Public Accountant (IPA) to test the file review completed by AOC. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Robert Scott within 30 days of the Institution's receipt of the Program Review Report. Robert Scott will review the procedures, indicate if any changes are needed, and/or approve the procedures. In addition, the auditor must supply a confirmation statement that the file review conducted by AOC was accurate.

Any liabilities for this finding will be addressed in the Final Program Review Determination (FPRD) letter.

Finding #7. Verification Violations

Citation: *34 C.F.R. § 668.51 states that an institution shall establish and use written policies and procedures for verifying information contained in a student aid application in accordance with the provisions of this subpart. These policies and procedures must include –*

- (1) The time period within which an applicant shall provide the documentation;*
- (2) The consequences of an applicant's failure to provide required documentation within the specified time period;*
- (3) The method by which the institution notifies an applicant of the results of verification if, as a result of verification, the applicant's EFC changes and results in a change in the applicant's award or loan;*
- (4) The procedures the institution requires an applicant to follow to correct application information determined to be in error.*

34 C.F.R. § 668.54 states that if an institution has reason to believe that any information on an application used to calculate an EFC is inaccurate, it shall require the applicant to verify the information that it has reason to believe is inaccurate.

34 C.F.R. § 668.55, Updating information, states that an applicant is required to update—The number of family members in the applicant's household and the number of those household members attending postsecondary educational institutions, in accordance with provisions of paragraph (b) of this section; and his or her dependency status in accordance with the provisions of paragraph (d) of this section.

If the number of family members in the applicant's household or the number of those household members attending postsecondary educational institutions changes for a reason other than a change in the applicant's marital status, an applicant who is selected for verification shall update the information contained in his or her application regarding those factors so that the information is correct as of the day the applicant verifies the information.

34 C.F.R. § 668.56(a), Items to be verified, states that an institution shall require an applicant selected for verification under 668.54(a)(2) or (3) to submit acceptable documentation described in 668.57 that will verify or update the following information used to determine the applicant's EFC:

- (1) Adjusted gross income (AGI) for the base year if base year data was used in determining eligibility, or income earned from work, for a non-tax filer.*
- (2) U.S. income tax paid for the base year if base year data was used in determining eligibility.*
- (3) For an applicant who is a dependent student, the aggregate number of family members in the household or households of the applicant's parents if—*
 - (A) The applicant's parent is single, divorced, separated or widowed and the aggregate number of family members is greater than two; or*
 - (B) The applicant's parents are married to each other and not separated and the aggregate number of family members is greater than three.*

34 C.F.R. § 668.57, Acceptable documentation, states that an institution shall require an applicant selected for verification to verify AGI and U.S. income tax paid by submitting to it, if relevant—

- (1) A copy of the income tax return of the applicant, his or her spouse, and his or her parents. The copy of the return must be signed by the filer of the return or by one of the filers of a joint return;*
- (2) For a dependent student, a copy of each Internal Revenue Service (IRS) Form W-2 received by the parent whose income is being taken into account if—*
 - (A) The parents file a joint return; and*
 - (B) The parents are divorced or separated or one of the parents has died.*

Noncompliance: The reviewers found multiple instances of incomplete verification.

Student #3: The student's ISIR for 2009/2010 shows five (5) family members with two (2) in college. The student application shows four (4) family members with one (1) in college. The student verification worksheet shows student with one (1) parent only.

Student #7: The student states "non-filer" in relation to taxes but provided no documentation or statement as to income earned.

Student #12: The student's ISIR for 2010/2011 shows three (3) family members with one (1) in college. The student verification worksheet shows two (2) family members with one (1) in college.

Student #20: The parent states “non-filer” in relation to taxes but provided no documentation or statement of income earned. Additionally, the father states he is widowed but is married to student’s mother.

Student #22: The student was selected for verification but no tax forms in student’s file.

Student #24: The student was selected for verification but no verification documentation in student’s file.

Required Action: The institution must correct the discrepancies and send the Department proof that the errors have been corrected. Should the corrections result in a change in funding for the student, the institution will be liable for the difference. The institution must also update its procedures to ensure that this issue will be properly dealt with in the future.

Due to the extensive errors discovered during the 2010/2011 and 2011/2012 award years, the institution must review all of its files for the reviewed award years for all students who were selected for verification to determine if verification for those students was completed and correct. Once the institution has completed its file review, it must provide a list of all students identified by its file review whose verification was not completed or was incorrect.

Please provide this information in the following format:

- Student Name
- Social Security Number
- Start Date
- Verification Completed or Incomplete
- Verification Issue (ie. Household size, AGI info)
- How Issue was Resolved
- Title IV Aid by Program

Please submit the results of your review electronically. Return the file to Robert Scott by email at Robert.L.Scott@ed.gov. AOC must submit the data file in a .zip file encrypted with AES encryption (256-bit is preferred).

In lieu of performing a file review for the entire population of 2010/2011 and 2011/2012 students selected for verification to determine actual liabilities, the institution has the option of performing this file review for only the remainder of the statistical sample for both award years not tested by the Department during the program review.

The results from this file review using the statistical sample will be used to project liabilities for the entire population (e.g., the average liability for the recipients in the statistical sample will be multiplied by the total population). This option is intended to

reduce the burden (of conducting a full file review) on the institution. If the institution wishes to select this option, please use the attached list of students from the statistical sample (Appendix B) for this finding.

It is recommended that the institution first review the remaining students in the statistical sample for the reviewed award years. At that point, you may accept liability projection instead of continuing with a full file review.

The institution must also update its procedures to ensure that these errors do not happen again in the future. A copy of the institution's revised policies and procedures for verification should also be included with the institution's response to this report. The institution must engage an Independent Public Accountant (IPA) to test the file review completed by AOC. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Robert Scott within 30 days of the Institution's receipt of the Program Review Report. Robert Scott will review the procedures, indicate if any changes are needed, and/or approve the procedures. In addition, the auditor must supply a confirmation statement that the file review conducted by AOC was accurate.

Any liabilities for this finding will be addressed in the Final Program Review Determination (FPRD) letter.

Finding #8. Entrance/Exit Counseling Not Documented

Citation: 34 C.F.R. § 685.304, *Counseling borrowers*, states that a school must ensure that initial counseling is conducted with each Subsidized or Unsubsidized loan borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford or Federal SLS Loan.

34 C.F.R. § 682.604, *Federal Family Education Loan Program*, states that a school shall conduct exit counseling with each borrower either in person, by audiovisual presentation, or by interactive electronic means. The institution must ensure that exit counseling is conducted shortly before the borrower ceases at least half-time study. In addition, if the borrower withdraws from school without the school's prior knowledge or fails to attend an exit counseling either in person or through interactive electronic means, the institution must mail written counseling materials to the student borrower at the student borrower's last known address within 30 days after the school learns that the student has withdrawn from the school or failed to complete the exit counseling as required.

Noncompliance: The reviewers found multiple instances where students were not counseled regarding loans.

Student #2: Entrance counseling for student not in file.
Student #6: Exit counseling incomplete.
Student #10: Entrance counseling for student not in file.
Student #23: Exit counseling documentation not signed by student.
Student #26: Entrance counseling for student not in file.

Required Action: The entrance and exit counseling must be in person, by audiovisual presentation, or by interactive means. In each case, the school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions.

In response to this finding, the institution must provide assurances that entrance and exit counseling interviews will be conducted with each student borrower in accordance with the regulatory requirements, and the borrowers' records contain adequate documentation to support appropriate counseling was provided. The institution must mail exit counseling materials to the two (2) students who have not satisfactorily completed exit counseling. The institution must also institute procedures to ensure all Title IV borrowers receive counseling. A copy of the procedures must be submitted with the institution's response to this finding.

Finding #9. Satisfactory Academic Progress (SAP) Policy Not Monitored/Missing Components

Citation: 34 C.F.R. § 668.16, *General provisions, states that to be eligible for Federal Student Aid, a student must make satisfactory academic progress. Your school must have a satisfactory academic progress policy that includes both a qualitative (such as the use of cumulative grade point average) and a quantitative measure (such as a maximum time frame of 150% for completion) of the student's progress.*

The following standards must be included:

1. *Qualitative Measure: Grades, work projects completed, or comparable factors, which are measured against a norm.*
2. *Quantitative Measure: A maximum timeframe in which the student must complete his or her educational program. The time frame must be (1) based on the student's enrollment status; (2) for an undergraduate program, no longer than 150 percent of the published length of the educational program for a full-time student; and (3) divided into increments of equal size, not to exceed the lesser of one academic year or one-half the published length of the educational program.*
3. *A schedule established by the institution designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment to complete his or her educational program within the maximum time frame.*

4. *A determination at the end of each increment by the institution whether the student has successfully completed the appropriate percentage or established schedule.*
5. *Consistent application of standards to all students within categories of students, i.e. full-time, part-time, undergraduate and graduate students, and educational programs established by the institution.*
6. *Specific policies defining the effect of course incompletes, withdrawals, repetitions, and non-credit remedial course on satisfactory progress.*
7. *Specific procedures under which a student may appeal a determination that he or she is not making satisfactory progress.*
8. *Specific procedures for reinstatement of aid.*

Noncompliance: The reviewers found instances of students not making SAP. Additionally, the institution's current written Satisfactory Academic Progress policy is not in compliance with federal regulations.

The institution's SAP policy has conflicting information and is missing components. The attendance requirement, as well as, the grading scale varies from catalog to enrollment contract and from student to student. AOC has no defined increments as to when SAP would be checked. Although SAP is checked for most students, it appears to be checked on a random basis and not in a uniform manner.

Student #3: No documentation in file that student SAP has been checked. Review of student file shows student is not making SAP

Student #15: Student was admitted conditionally and is not making SAP.

Required Action: The institution must update its SAP procedures to comply with federal regulations. The institution must make SAP procedures uniform across the student body and include provisions for both quantitative and qualitative measures. The institution must design an adequate system to determine if a student who receives Title IV funds is making SAP and implement that system. The institution must submit the updated procedures to the Department as part of its response to this finding. Please Note: Changes to SAP were effective July 1, 2011. These new SAP requirements are contained in a Federal Register published on October 29, 2010 and can be accessed at this link: <http://ifap.ed.gov/fregisters/FR102910Final.html>.

The school must also address why the listed students are enrolled in the program but not making SAP. The school must also address the issues of conditional admittance, why this occurred and update their procedures to show how this will be handled in the future.

Finding #10. Return of Title IV (R2T4) Not Performed/Performed Late/Incorrect

Citation: 34 C.F.R. § 668.22, *General Provisions*, states when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of 668.22.

Furthermore, it also states that the amount of Title IV aid that is earned by a student is calculated by determining the percentage that is equal to the payment period of enrollment that the student completed as of the student's withdrawal date. The school must calculate Return to Title IV refunds pursuant to 34 C.F.R. 668.22 and retain a copy of the documentation in each student's file.

Financial responsibility regulation 34 C.F.R. 668.171, *General Provisions*, states that making refunds to students as prescribed in regulation 34 C.F.R. 668.22 is one of the standards the Secretary uses in determining whether an institution is financially responsible.

Noncompliance: The reviewers found multiple instances where a student withdrew from the institution but an R2T4 calculation was not performed or was not completed within the required time frames.

Student #1: The R2T4 calculation not correct based on scheduled hours. The use of correct hours shows that no refund is due as student passed 60% enrollment mark.

Student #2: The R2T4 calculation required but not completed. The student withdrew on 05/10/2011 and notified school of withdrawal on 05/10/2011.

Student #11: The student left on leave of absence as of 01/04/2011 but never returned. An R2T4 was not completed until 03/22/2011.

Student #15: The R2T4 calculation not correct based on scheduled hours. The use of correct hours shows that no refund is due as student passed 60% enrollment mark.

Student #19: The student withdrew from school on 03/09/2012 but an R2T4 calculation was not completed until 05/07/2012.

Required Action: The amount of Title IV grant or loan assistance that is earned by the student is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student. Applying this percentage to the total amount of Title IV grant or loan assistance that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment as of the student's withdrawal date.

In response to this finding, the institution must review and resolve the discrepancies noted for student #2 listed above. The institution must complete the R2T4 calculation and return it as part of the institution's response to this finding. Due to the extensive errors discovered during the 2010/2011 and 2011/2012 award years, the institution must review all of its files for the reviewed award years for all students who withdrew or dropped to determine those students for whom return of Title IV (R2T4) funds were calculated. Once the institution has completed its file review, it must provide a list of all students identified by its file review whose R2T4 funds were calculated incorrectly.

Please provide this information in the following format:

- Student Name
- Social Security Number
- Start Date
- Withdrawal Date
- Hours Scheduled to Complete in Payment Period or Period of Enrollment
- Total Hours in Payment Period or Period of Enrollment
- Original Amount/Title IV Program of the R2T4 Funds Calculated By School and Award Year
- Date Paid and to Whom
- Recalculated Amount/Title IV Program of the R2T4 Funds Calculated By School and Award Year
- Amount Due to Department of Education or Lender (Specify which entity)

Please submit the results of your review electronically. Return the file to Robert Scott by email at Robert.L.Scott@ed.gov. AOC must submit the data file in a .zip file encrypted with AES encryption (256-bit is preferred).

In lieu of performing a file review for the entire population of 2010/2011 and 2011/2012 students selected for R2T4 to determine actual liabilities, the institution has the option of performing this file review for only the remainder of the statistical sample for both award years not tested by the Department during the program review.

The institution must also update its procedures to ensure that these errors do not happen again in the future. A copy of the institution's revised policies and procedures for R2T4 should also be included with the institution's response to this report. Additionally, the institution must engage an Independent Public Accountant (IPA) to test the file review completed by AOC. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Robert Scott within 30 days of the Institution's receipt of the Program Review Report. Robert Scott will review the procedures, indicate if any changes are needed, and/or approve the procedures. In addition, the auditor must supply a confirmation statement that the file review conducted by AOC was accurate.

Any liabilities for this finding will be addressed in the Final Program Review Determination (FPRD) letter.

Finding #11. Leave of Absence Not Monitored/Inadequate Policy

Citation: *34 C.F.R. § 668.22, Approved Leave of Absence, states that the number of days in the approved leave of absence, when added to the number of days in all other approved leaves of absence, does not exceed 180 days in any 12-month period: If a student does not resume attendance at the institution at or before the end of a leave of absence that meets the requirements of this section, the institution must treat the student as a withdrawal in accordance with the requirements of this section.*

An institution's leave of absence policy is a "formal policy" if the policy –

- A. Is in writing and publicized to students; and*
- B. Requires students to provide a written, signed, and dated request that includes the reason for the request, for a leave of absence prior to the leave of absence. However, if unforeseen circumstances prevent a student from providing a prior written request, the institution may grant the student's request for a leave of absence, if the institution documents its decision and collects the written request as a later date.*

34 C.F.R. § 682.604(c)(4), Federal Family Education Loan Program, states that a school may not credit a student's account or release the proceeds of a loan to a student who is on a leave of absence, as described in 668.22(d).

34 C.F.R. § 668.22, Treatment of title IV funds when a student withdraws, stated when a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date in accordance with paragraph (e) of this section.

34 C.F.R. § 682.605, Determining the date of a student's withdrawal, states that except in the case of a student who does not return for the next scheduled term following a summer break, which includes any summer term or terms in which classes are offered but students are not generally required to attend, a school must follow the procedures in 668.22(b) or (c), as applicable, for determining the student's date of withdrawal.

Noncompliance: The reviewers found instances where students were put on a leave of absence but never returned or completed LOA forms, and LOA forms were completed but no reasons were given.

Student #4: The student was absent from 07/26/2011 – 03/20/2012 with no documentation of LOA in student file. The student shows no hours from 03/20/2012 – 04/10/2012 but attended on 04/11/2012 and 04/12/2012 to obtain remaining hours needed for graduation. The student should have been withdrawn from program due to lack of attendance.

Student #10: The student was on a leave of absence from 04/02/2011 to 04/27/2011. The form was completed but no reason given.

Student #11: Per student attendance records, student on leave of absence from 01/04/2011 through 02/28/2011 but no LOA documentation in student file. The student left as of 01/04/2011 and never returned. An R2T4 completed.

Student #30: The student was on an approved leave of absence from 01/03/2012 to 05/22/2012. Unsubsidized loan funds posted to student's account on 01/18/2012 which is after student left for LOA. The student earned funds prior to departure but funds were posted late.

Required Action: For student #30, the institution must explain why funds were posted to the student's account several weeks after the student's departure on the approved LOA. AOC must also update its procedures to be in compliance with federal regulations. The institution must submit its updated procedures to this office as part of its response to this finding.

Due to the extensive errors discovered during the 2010/2011 award year, the institution must review all of its files for the reviewed award year for all students who were on a leave of absence to determine if the leave of absence was documentation was completed and correct. Once the institution has completed its file review, it must provide a list of all students identified by its file review whose leave of absence was not properly documented or was incorrect.

Please provide this information in the following format:

- Student Name
- Social Security Number
- Start Date
- Approved Leave of Absence (Yes or No)
- Leave of Absence Documentation Completed for Student (Yes or No)
- Did Student Return After Leave of Absence (Yes or No)
- If Student Did not Return, was R2T4 Completed (Yes or No)

Please submit the results of your review electronically. Return the file to Robert Scott by email at Robert.L.Scott@ed.gov. AOC must submit the data file in a .zip file encrypted with AES encryption (256-bit is preferred).

The institution must engage an Independent Public Accountant (IPA) to test the file review completed by AOC. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Robert Scott within 30 days of the Institution's receipt of the Program Review Report. Robert Scott will review the procedures, indicate if any changes are needed, and/or approve the procedures. In addition, the auditor must supply a confirmation statement that the file review conducted by AOC was accurate.

Finding #12. Credit Balance Deficiencies

Citation: *34 C.F.R. § 668.164 (d) and (e) state that an institution may use Title IV program funds to credit a student's account to satisfy current year charges for—*

- i. Tuition and fees;*
- ii. Room and board, if the student contracts with the school for room and board;*
- iii. With a student's authorization under 668.165(b), other educationally related charges; and prior award year charges for a total of not more than \$200.*

*If current year Title IV funds credited to a student's account exceed the amount of current year tuition, fees, and other authorized charges, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than 14 days after the credit balance occurred if it occurred **after** the first day of class. If the credit balance occurred on or **before** the first day of class, it must be returned no later than 14 days after the first day of class.*

An institution may secure a student's written permission to retain credit balance funds for budgeting purposes but it must be optional. The student must not be coerced into providing the school permission to retain the funds and the student must be informed of his or her right to rescind the authorization at any time. If an institution holds excess student funds, it must—

- i. Identify the amount of funds it holds for each student or parent in a subsidiary ledger account designed for that purpose;*
- ii. Maintain, at all times, cash in its bank account in an amount at least equal to the amount of funds the institution holds for the student; and*
- iii. Notwithstanding any authorization obtained by the institution, pay any remaining balance on loan funds by the end of the loan period and any other remaining Title IV funds by the end of the last payment period in the award year for which they were awarded.*

If a school has lost contact with a student who is due a credit balance, it must use all reasonable means to locate him or her. If it still cannot find the student, the school must return the credit balance to the lender to reduce the borrower's loan balance, or, to the appropriate Title IV program(s).

Noncompliance: The reviewers identified students from both the 2010/2011 and 2011/2012 award years in the student sample that did not have their credit balances paid within the required timeframe. Additionally, the student credit balance authorization is included as part of the student's financial aid award letter.

With one signature, if the student signs for the funds they are awarded, they are also signing for authorization allowing the school to hold their credit balances. Students are not being given the ability to refuse the holding of credit balances, nor are they informed that if they initially agree that the institution may hold a credit balance, that action may be rescinded at any time. The awarding of financial aid must be a separate action from the agreement or right of refusal to hold credit balances. For example:

Student #2: Per the award letter, the student was awarded \$9,500.00 in subsidized and unsubsidized loans which she accepted. However, as part of her acceptance, the school states she is also giving AOC permission to keep any credit balance on her account until the end of the term. The student is not given the ability to refuse the holding of the credit balance nor is she informed that if she agrees to allow credit balances to be held initially, she may change her mind at any time. This is systemic for all AOC students.

Student #9: The student had a credit balance of \$485.00 which was made on 11/03/2010. As of the date of the program review, 05/07/2012, these funds had not been forwarded to the student nor sent back to her lender to reduce the cost of her loans. The student also has systemic credit balance issue noted for student #2 above.

Student #17: The student was paid for a credit balance of \$495.00 on 09/27/2011. The student had a balance due of \$1,081.00 on that date and was not entitled to any refund at that time.

Student #22: The student had a credit balance of \$4,106.00 on 01/17/2012. The credit balance was not paid until 04/24/2012.

Required Action: AOC must pay a credit balance directly to the student or parent as soon as possible but not later than 14 days after the credit balance occurred if it occurred after the first day of class. If the credit balance occurred on or before the first day of class, it must be returned no later than 14 days after the first day of class.

The Department also reminds the institution that Title IV aid credited to a student's account may be used to satisfy current year charges (per 34 C.F.R. 668.164[d]). If a student's aid package includes a Title IV loan, the year is the loan period. If the student does not have a loan, the year is the award year. **The maximum amount of prior year charges that may be paid with current year funds is \$200.**

AOC is required to revise its procedures for the payment of and authorization to retain student credit balance funds. The policy must be in compliance with the above

requirements, and, it must take effect immediately. Additionally, AOC must separate the authorization to hold credit balances from the award letter and inform students as part of the authorization process that students have the right to refuse the institution holding the credit balance and/or the authorization, if approved, may be rescinded at any time.

Please provide a copy of the institution's revised credit balance policy and credit balance authorization form in response to this finding.

Finding #13. Prior Year Charges

Citation: *34 C.F.R. § 668.164, Disbursing Funds, states that an institution may use title IV, HEA program funds to credit a student's account at the institution to satisfy current year charges for—*

- (i) Tuition and fees;*
- (ii) Board, if the student contracts with the institution for board;*
- (iii) Room, if the student contracts with the institution for room; and*
- (iv) If the institution obtains the student's or parent's authorization under §668.165(b), other educationally related charges incurred by the student at the institution; and*

Prior award year charges for a total of not more than \$200 for—

- (i) Tuition and fees, room, or board; and*
- (ii) If the institution obtains the student's or parent's authorization under §668.165(b), other educationally related charges incurred by the student at the institution.*

Noncompliance: The reviewers found that students are being charged the entire amount of tuition for the course upon the start of classes. Current year financial aid is being used to pay charges from the previous award year in amounts greater than those approved by the Secretary per regulation. For example:

Student #3: The student started classes on 03/09/2010 with total tuition charges of \$16,900.00 being charged to the student for tuition at that time. Title IV funds for the 2010/2011 award year were used in excess of the allowable tolerance of \$200.00 to pay the balance due after she entered the new award year.

Student #4: The student has a loan period of 03/15/2011 – 09/20/2011; however, funds for the 2011/2012 award year were used to pay the remaining balance left from the 2010/2011 award year.

Student #6: The student was initially enrolled 12/13/2005 and withdrew from the school on 04/26/2007. The student left with a balance of \$4,186.00 due to the school. The student re-enrolled 01/20/2011 and the balance due of \$4,186.00 was paid with 2010/2011 award year funds.

Required Action: The use of current year Title IV funds to pay prior year charges is systemic across both reviewed award years and affects all students. AOC is reminded that the institution may only use up to \$200.00 of current award year financial aid funds to pay prior year charges.

In response to this finding, the institution must review all student files for the 2010/2011 and 2011/2012 award years and determine which students were affected by the payment of current year financial aid on prior year charges. Once the institution has completed its file review, it must provide a list of all students identified by its file review to the Department.

Please provide this information in the following format:

- Student Name
- Social Security Number
- Start Date
- Amount of Original Contract
- Withdrawal Date/Graduation Date/Still Enrolled
- Aid Awarded During 1st Award Year (0 - 900 Clock Hours)
- Aid Awarded During 2nd Award Year (901 – 1500 Clock Hours)
- Date Student Completed 450 Clock Hours
- Date Student Completed 900 Clock Hours
- Funds Paid on Student Account in Excess of \$200.00 Tolerance

Please submit the results of your review electronically. Return the file to Robert Scott by email at Robert.L.Scott@ed.gov. AOC must submit the data file in a .zip file encrypted with AES encryption (256-bit is preferred).

In lieu of performing a file review for the entire population of 2010/2011 and 2011/2012 students selected with prior year charges to determine actual liabilities, the institution has the option of performing this file review for only the remainder of the statistical sample for both award years not tested by the Department during the program review.

The results from this file review using the statistical sample will be used to project liabilities for the entire population (e.g., the average liability for the recipients in the statistical sample will be multiplied by the total population). This option is intended to reduce the burden (of conducting a full file review) on the institution. If the institution wishes to select this option, please use the attached list of students from the statistical sample (Appendix B) for this finding.

It is recommended that the institution first review the remaining students in the statistical sample for the reviewed award years. At that point, you may accept liability projection instead of continuing with a full file review.

The institution must also update its procedures to ensure that this does not happen again in the future. A copy of the institution's revised policies and procedures should also be included with the institution's response to this report. Additionally, the institution must engage an Independent Public Accountant (IPA) to test the file review completed by AOC. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Robert Scott within 30 days of the Institution's receipt of the Program Review Report. Robert Scott will review the procedures, indicate if any changes are needed, and/or approve the procedures. In addition, the auditor must supply a confirmation statement that the file review conducted by AOC was accurate.

Any liabilities for this finding will be addressed in the Final Program Review Determination (FPRD) letter.

Finding #14. Missing ISIR's

Citation: *34 C.F.R § 668.24, Required Records, states that the records that an institution must maintain in order to comply with the provisions of this section include but are not limited to the Student Aid Report (SAR) or Institutional Student Information Record (ISIR) used to determine eligibility for title IV, HEA program funds.*

Noncompliance: The reviewers found several student files which did not have ISIR's or had incomplete ISIR's yet students were disbursed aid. ISIRs could not be provided by the institution.

Student #6: Student has incomplete ISIR (blocks of information missing).

Student #10: No ISIR in student file.

Student #13: No ISIR in student file.

Student #22: Student has incomplete ISIR (no EFC).

Required Action: As part of its response, the institution must provide complete ISIRs to the Department for the above listed students. AOC must update its procedures to ensure that all student files will have ISIRs in the future. A copy of the institution's updated procedures must be provided as part of the institution's response to this finding.

In response to this finding, the institution must review all student files for the 2010/2011 and 2011/2012 award years and determine which students do not have ISIRs in the student file. Once the institution has completed its file review, it must provide a list of all students identified by its file review that do not have locatable ISIRs to the Department.

Please provide this information in the following format:

- Student Name
- Social Security Number

- Start Date
- Withdrawal Date/Graduation Date/Still Enrolled
- Aid Awarded During 1st Award Year (0 - 900 Clock Hours) by Program
- Aid Awarded During 2nd Award Year (901 – 1500 Clock Hours) by Program

Please submit the results of your review electronically. Return the file to Robert Scott by email at Robert.L.Scott@ed.gov. AOC must submit the data file in a .zip file encrypted with AES encryption (256-bit is preferred).

The institution must engage an Independent Public Accountant (IPA) to test the file review completed by AOC. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Robert Scott within 30 days of the Institution's receipt of the Program Review Report. Robert Scott will review the procedures, indicate if any changes are needed, and/or approve the procedures. In addition, the auditor must supply a confirmation statement that the file review conducted by AOC was accurate.

Any liabilities for this finding will be addressed in the Final Program Review Determination (FPRD) letter.

Finding #15. Attendance Violations/Allowing Students to Receive Diploma's Prior to Completing the Required Clock Hours

Citation: 34 C.F.R. § 668.164(b)(3), *General Provisions*, states that an institution may disburse Title IV, HEA program funds to a student or parent for payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds.

34 C.F.R. § 690.75(a), *Federal Pell Grant Program*, states that for each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the student qualifies as an eligible student under 34 C.F.R. Part 668, Subpart C, is enrolled in an eligible program as an undergraduate student, and if enrolled in a credit hour program without terms or a clock hour program, has completed the payment period as defined in 668.4 for which he or she has been paid a Federal Pell Grant.

Noncompliance: The reviewers found instances where the students did not meet the attendance requirement for completion of the course but were allowed to graduate. For example:

Student #3: The student accumulated 1,497.00 clock hours out of the necessary 1,500.00 to graduate from the program.

Student #6: The student accumulated 1,497.00 clock hours out of the necessary 1,500.00 to graduate from the program.

Student #10: The student transferred to AOC with 401.68 clock hours from Regency Beauty Institute – Columbia. While at AOC, the student accumulated 1,090.92 additional clock hours for a total of 1,492.60 out of the 1,500.00 necessary to graduate from the program.

Student #13: The student accumulated 1,481.00 clock hours out of the necessary 1,500.00 to graduate from the program.

Required Action: AOC must update its procedures to ensure that this does not occur in the future. A copy of the institution's updated procedures must be included as part of the institution's response to this finding.

In response to this finding, the institution must review all student files for the 2010/2011 and 2011/2012 award years and determine which students did not meet the clock hour requirement for graduation. Once the institution has completed its file review, it must provide a list of all students identified by its file review to the Department.

Please provide this information in the following format:

- Student Name
- Social Security Number
- Start Date
- Graduation Date
- Number of Clock Hours at Graduation

Please submit the results of your review electronically. Return the file to Robert Scott by email at Robert.L.Scott@ed.gov. AOC must submit the data file in a .zip file encrypted with AES encryption (256-bit is preferred).

In lieu of performing a file review for the entire population of 2010/2011 and 2011/2012 students selected for attendance violations, the institution has the option of performing this file review for only the remainder of the statistical sample for both award years not tested by the Department during the program review.

The results from this file review using the statistical sample will be used to project liabilities for the entire population (e.g., the average liability for the recipients in the statistical sample will be multiplied by the total population). This option is intended to reduce the burden (of conducting a full file review) on the institution. If the institution wishes to select this option, please use the attached list of students from the statistical sample (Appendix B) for this finding. The institution must engage an Independent Public Accountant (IPA) to test the file review completed by AOC. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to Robert Scott within 30 days of the Institution's receipt of the Program Review Report. Robert Scott will review the procedures, indicate

if any changes are needed, and/or approve the procedures. In addition, the auditor must supply a confirmation statement that the file review conducted by AOC was accurate.

Finding #16. Award Letters Not Signed/Not Updated/Not Provided

Citation: *34 C.F.R. § 668.165, Notices and authorizations, states that before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.*

Except in the case of a post-withdrawal disbursement made in accordance with 668.22(a)(5), if an institution credits a student's account at the institution with Direct Loan, FFEL, Federal Perkins Loan, or TEACH Grant Program funds, the institution must notify the student or parent of—

- (i) The anticipated date and amount of the disbursement;*
- (ii) The student's right or parent's right to cancel all or a portion of that loan, loan disbursement TEACH Grant, or TEACH Grant disbursement and have the loan proceeds returned to the holder of that loan, the TEACH Grant proceeds returned to the Secretary. However, if the institution releases a check provided by a lender under the FFEL Program, the institution is not required to provide this information; and*
- (iii) The procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement.*

The institution must provide the notice described in paragraph (a)(2) of this section in writing—

- (i) No earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution, if the institution obtains affirmative confirmation from the student under paragraph (a)(6)(i) of this section; or*
- (ii) No earlier than 30 days before, and no later than seven days after, crediting the student account at the institution, if the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section.*

A student or parent must inform the institution if he or she wishes to cancel all or a portion of a loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement. The institution must return the loan or TEACH Grant proceeds, cancel the loan or TEACH Grant, or do both, in accordance with program regulations provided that the institution receives a loan or TEACH Grant cancellation request and the institution must

inform the student or parent in writing regarding the outcome of any cancellation request.

Noncompliance: The reviewers found instances where Title IV funds were awarded to the student but not included on the award letter and/or the award letter was not updated. The reviewers also found instances where the award letter for the students was not in the file nor was it available.

Student #8: The student was awarded \$200.00 in FSEOG funds and \$5,000.00 in unsubsidized loans. These funds were posted to the students account; however, they were not included on the award letter signed by the student.

Student #9: No award letter in student's file.

Student #10: No award letter in student's file.

Student #12: No award letter in student's file for the 2011/2012 award year.

Student #16: The student was awarded \$6,000.00 in unsubsidized loan funds for the 2011/2012 award year. These funds were posted to the student's account; however, they were not included on the award letter signed by the student.

Student #21: The student was awarded \$200.00 in FSEOG funds for the 2011/2012 award year but the funds were not included on the award letter signed by the student.

Student #22: No award letter in student's file for the 2010/2011 award year.

Student #23: The student was awarded \$200.00 in FSEOG funds and \$1,500.00 in unsubsidized loans. These funds were posted to the students account; however, they were not included on the award letter signed by the student.

Required Action: The institution must update its procedures regarding this issue to ensure that students are informed of what they are being awarded and award letters are available in the future. AOC must provide a copy of its updated procedures to the Department as part of its response to this finding.

Finding #17. No High School Diploma/General Education Diploma (GED)/Ability to Benefit Test (ATB)

Citation: 34 C.F.R. § 668.32, *General Provisions*, states that to receive FSA funds, a student must be qualified to study at the postsecondary level. A student qualifies if she has a high school diploma, the recognized equivalent of a high school diploma, typically a general education development or GED certificate, completed home schooling, or passed a Department approved ability to benefit test.

Noncompliance: The reviewers found instances where the students did not have a high school diploma, proof of GED or ATB testing in the file.

Student #6: No high school diploma, GED or ATB testing documentation in student file.

Student #18: Student ISIR shows no high school diploma or equivalent. Student admitted to school through ATB testing but no ATB documentation in file. Further, student took a documented leave of absence to complete GED course.

Required Action: In response to this finding, the institution must provide assurances that, in the future, students will not be enrolled and receive Title IV funds unless they have a valid High School Diploma, or its equivalent, a GED or completed home schooling. Department approved ATB testing will no longer be available in the 2012/2013 award year per new regulations.

Also, all Title IV funds disbursed to students #6 and #18 will be a liability, unless the institution can provide documentation that the students have a valid High School Diploma, or its equivalent, a GED, completed home schooling, or passed a Department approved ATB test prior to enrolling at the institution.

Any liabilities for this finding will be addressed in the Final Program Review Determination (FPRD) letter.

Finding #18. Incorrect Student Ledgers

Citation: 34 C.F.R. § 668.24, *Record Retention and Examinations*, states that an institution shall account for the receipt and expenditure of title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis — Financial records that reflect each HEA, title IV program transaction.

Noncompliance: The reviewers found multiple instances where funds were awarded but not posted to student ledgers, loans were miscoded, Title IV funds were drawn down through COD but not posted and Title IV funds were posted to student ledgers but not drawn down through COD. Additionally, initial contract charges were not listed as a debit on any student ledgers.

Student #4: The student was awarded \$1,195.00 in Workforce Investment Act (WIA) funds. These funds were not posted to the student ledger.

Student #7: The school posted the gross amount of subsidized loan disbursement (\$1,750.00) to ledger for payment on 07/14/2010. The amount actually disbursed to student was \$1,742.00.

Student #18: The student was awarded a \$3000.00 scholarship by the school on 02/21/2012. These funds were not posted to the student ledger nor are they listed as part of the student's award packaging.

Student #19: The student was awarded \$5,550.00 in Pell Grant funds for the 2011/2012 award year. The initial disbursement of \$2,775.00 was posted to the student's ledger on 03/13/2012. However, no Pell funds were disbursed through COD.

Student #29: The student was awarded \$3,500.00 in unsubsidized loans. Both disbursements of \$1,750.00 each were posted to the student ledger on 02/07/2012 and 04/09/2012. However, only one disbursement was drawn down from COD.

Student #30: The student was awarded \$3,500.00 in subsidized loans. The loan was coded as an unsubsidized loan on student ledger.

Required Action: Title IV participants must establish and maintain program and fiscal records, which provide an easily followed audit trail for the expenditures of funds. Fiscal records are required to clearly show that funds are being obtained, managed, disbursed and returned according to cash management regulations.

AOC is required to implement a system that will provide a clear audit trail for each Title IV recipient. Student account ledgers must include institutional (to include contract) charges, cash payments, Title IV disbursements, scholarships, credit balance payments to students and return of Title IV funds (if applicable) on one account ledger for each Title IV student. All transactions must be identified by type (e.g. tuition, fees, Pell/DL, cash, scholarships, etc.) and by date.

In response to this finding, the institution must submit corrected ledgers for all students listed above. The student account ledgers must present a clear audit trail for all transactions that have occurred from the student's start date until the student's last date of attendance or last account activity.

For all other student account ledgers in the reviewed award years, the institution must provide a statement stating the account ledgers have been reviewed and accurately reflect funds that have been posted to and/or refunded from the student accounts. The institution must also update its procedures on how student ledgers will be handled in the future. A copy of the institution's updated procedures must be provided to the Department as part of this finding.

Finding #19. Students Not Being Charged According to the Enrollment Agreement

Citation: 34 C.F.R. § 668.71, *Special Definitions*, states that *If the Secretary determines that an eligible institution has engaged in substantial misrepresentation, the Secretary may—*

- (1) Revoke the eligible institution's program participation agreement;*
- (2) Impose limitations on the institution's participation in the title IV, HEA programs;*
- (3) Deny participation applications made on behalf of the institution; or*
- (4) Initiate a proceeding against the eligible institution under subpart G of this part.*

This subpart establishes the types of activities that constitute substantial misrepresentation by an eligible institution. An eligible institution is deemed to have engaged in substantial misrepresentation when the institution itself, one of its representatives, or any ineligible institution, organization, or person with whom the eligible institution has an agreement to provide educational programs, marketing, advertising, recruiting or admissions services, makes a substantial misrepresentation regarding the eligible institution, including about the nature of its educational program, its financial charges, or the employability of its graduates. Substantial misrepresentations are prohibited in all forms, including those made in any advertising, promotional materials, or in the marketing or sale of courses or programs of instruction offered by the institution.

34 C.F.R. § 668.73, Nature of Financial Charges, states that Misrepresentation concerning the nature of an eligible institution's financial charges includes, but is not limited to, false, erroneous, or misleading statements concerning—

- (a) Offers of scholarships to pay all or part of a course charge;*
- (b) Whether a particular charge is the customary charge at the institution for a course;*
- (c) The cost of the program and the institution's refund policy if the student does not complete the program;*
- (d) The availability or nature of any financial assistance offered to students, including a student's responsibility to repay any loans, regardless of whether the student is successful in completing the program and obtaining employment; or*
- (e) The student's right to reject any particular type of financial aid or other assistance, or whether the student must apply for a particular type of financial aid, such as financing offered by the institution.*

Noncompliance: The reviewers found instances where the student costs per the contract did not match what the student was billed per the ledger. For example:

Student #4: Per the contract, the student was to be charged \$15,000.00 for tuition, \$1,900.00 for tools, books and supplies, and an enrollment fee of \$50.00 for a total of \$16,950.00. The ledger shows charges of \$15,050.00 for tuition, \$1,800.00 for books and kits and \$150.00 for fees. The student was overcharged by \$50.00 and the funds were not appropriately posted.

Student #6: Per the contract, the student was to be charged \$15,000.00 for tuition, \$1,800.00 for tools, books and supplies and an enrollment fee of \$100.00 for a total of \$16,900.00. The ledger shows charges of \$15,000.00 for tuition, \$1,600.00 for books and kits, a fee of \$100.00 and other charges of \$316.00. The student was overcharged by \$116.00 and the funds were not appropriately posted.

Student #16: Per the contract, the student was to be charged \$9,569.00 for tuition, \$1,200.00 for tools, books and supplies and an enrollment fee of \$50.00 for a total of \$10,819.00. The ledger shows charges of \$13,704.00 for tuition, \$1,200.00 for books and kits, a fee of \$100.00. The student was overcharged by \$4,185.00.

Required Action: Overcharges to students must be refunded to them with proof of the refunds being submitted to the Department as part of the institution's response to this finding. The institution must also update its procedures detailing how overcharges will be dealt with in the future. A copy of the institution's updated procedures must be submitted to the Department along with its response to this finding.

**Finding #20. Federal Supplemental Educational Opportunity Grants (FSEOG)
Made in Unequal Payments/Not Posted/Incorrectly Labeled**

Citation: 34 C.F.R. § 668.164, *Disbursing funds, states that an institution must disburse title IV, HEA program funds on a payment period basis. An institution must disburse title IV, HEA program funds once each payment period.*

34 C.F.R. § 676.16, *Payment of an FSEOG, states that an institution shall pay in each payment period a portion of an FSEOG awarded for a full academic year. The institution shall determine the amount paid each payment period by the following fraction:*

FSEOG

N

Where FSEOG = the total FSEOG awarded for the academic year and N = the number of payment periods that the institution expects the student will attend in that year. An institution may pay the student, within each payment period, at such times and in such amounts as it determines best meets the student's needs.

Noncompliance: The reviewers found one (1) instance of a student being awarded FSEOG funds with the entire amount being disbursed to the student in one (1) payment instead of being split into two payments and being disbursed in two (2) payment periods.

Student #12: The student has full FSEOG amounts posted to her ledger in one disbursement on 07/29/2011.

Required Action: The school's response to this finding must explain corrective actions the institution will take to ensure the correct disbursement of Federal funds in the future.

Finding #21. Inaccurate Recordkeeping

Citation: 34 C.F.R. § 668.16, *Standards of Administrative Capability*, states that to begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA;

34 C.F.R. § 668.24, *Record Retention and Examinations*, states that an institution shall account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles. An institution shall establish and maintain on a current basis—

- (i) Financial records that reflect each HEA, title IV program transaction; and
- (ii) General ledger control accounts and related subsidiary accounts that identify each title IV, HEA program transaction and separate those transactions from all other institutional financial activity.

The records that an institution must maintain in order to comply with the provisions of this section include but are not limited to documentation relating to each student's or parent borrower's receipt of title IV, HEA program funds, including but not limited to documentation of—

- (A) The amount of the grant, loan, or FWS award; its payment period; its loan period, if appropriate; and the calculations used to determine the amount of the grant, loan, or FWS award;
- (B) The date and amount of each disbursement or delivery of grant or loan funds, and the date and amount of each payment of FWS wages;
- (C) The amount, date, and basis of the institution's calculation of any refunds or overpayments due to or on behalf of the student, or the treatment of title IV, HEA program funds when a student withdraws; and
- (D) The payment of any overpayment or the return of any title IV, HEA program funds to the title IV, HEA program fund, a lender, or the Secretary, as appropriate;

Noncompliance: Using the institution's bank statements for the 2010/2011 and 2011/2012 award years, the reviewers selected four (4) federal fund drawdowns completed by the institution through G5 to test the accuracy and transparency of funds being disbursed. This was also done to show a clear audit trail. The institution could not provide records of disbursement for three (3) of the chosen drawdowns.

G5 Drawdown/Federal Fund Bank Deposits – 10/06/2010: \$15,325.00/\$4,727.00

G5 Drawdown/Federal Fund Bank Deposit – 07/19/2011: \$37,601.00

G5 Drawdown/Federal Fund Bank Deposits – 10/04/2011: \$10,780.00/\$2,120.00

Required Action: The institution must submit to this office, the underlying documentation (ie. student rosters/amounts) for the requested G5 drawdowns which will show which students these funds were drawn for. The institution must also provide student ledgers showing the funds properly posted. Failure to provide this documentation will result in the noted drawdowns becoming a liability to the institution. The institution must also update its procedures on the handling of federal funds and submit a copy to this office along with the supporting documentation requested in response to this finding.

Finding #22. Unresolved ISIR Codes

Citation: 34 C.F.R. § 668.16, *Standards of Administrative Capability*, states that to begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs.

Noncompliance: The reviewers found one (1) student (#29) who was flagged for not registering with selective service. Documentation was not in the student's file to show that the flagged code had been resolved.

Required Action: As part of the institution's response to this finding, the institution must provide documentation showing that this issue has been resolved. The institution must also update its procedures to ensure that this issue does not occur again in the future.

Finding #23. PLUS Loan Denial Not Documented

Citation: 34 C.F.R. § 682.201, *Eligible Borrowers*, states that except for a refinanced SLS/PLUS loan made under 682.209 (e) or (f), a student is eligible to receive a Stafford loan, and an independent undergraduate student, a graduate or professional student, or, subject to paragraph (a)(3) of this section, a dependent undergraduate student, is eligible to receive an unsubsidized Stafford loan, if the student who is enrolled or accepted for

enrollment on at least a half-time basis at a participating school meets the requirements for an eligible student under 34 CFR part 668, and for purposes of a dependent undergraduate student's eligibility for an additional unsubsidized Stafford loan amount, as described at 682.204(d), is a dependent undergraduate student for whom the financial aid administrator determines and documents in the school's file, after review of the family financial information provided by the student and consideration of the student's debt burden, that the student's parents likely will be precluded by exceptional circumstances (e.g., denial of a PLUS loan to a parent based on adverse credit, the student's parent receives only public assistance or disability benefits, is incarcerated, or his or her whereabouts are unknown) from borrowing under the PLUS Program and the student's family is otherwise unable to provide the student's expected family contribution. A parent's refusal to borrow a PLUS loan does not constitute an exceptional circumstance.

Noncompliance: The reviewers found one (1) instance of a dependent student (#20) who had additional amounts of unsubsidized loans but did not have PLUS Loan denial documentation in her file.

Required Action: The institution must provide a PLUS loan denial to the Department as part of the institution's response to this finding. Failure to do so may result in the institution incurring a liability for the additional amount of unsubsidized loans disbursed. The institution must also update its policies and procedures for dealing with this issue in the future and submit an updated copy to the Department.

Finding #24. Overlapping Loan Award Periods

Citation: 34 C.F.R. § 685.102(b), *Period of Enrollment*, states that the period for which a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan is intended must coincide with one or more bona fide academic terms established by the school for which institutional charges are generally assessed (e.g., a semester, trimester, or quarter in weeks of instructional time; an academic year; or the length of the program of study in weeks of instructional time). The period of enrollment is also referred to as the loan period.

34 C.F.R. § 685.301, *Origination of a Loan by a Direct Loan Program School*, states that the minimum period of enrollment for which a school may originate a Direct Loan is—

- (A) At a school that measures academic progress in credit hours and uses a semester, trimester, or quarter system, a single academic term (e.g., a semester or quarter); or
- (B) At a school that measures academic progress in clock hours, or measures academic progress in credit hours but does not use a semester, trimester, or quarter system, the lesser of—

(1) The length of the student's program at the school; or

(2) The academic year as defined by the school in accordance with 34 CFR 668.3.

The maximum period for which a school may originate a Direct Loan is—

- (A) Generally an academic year, as defined by the school in accordance with 34 CFR 668.3, except that the school may use a longer period of time corresponding to the period to which the school applies the annual loan limits under §685.203; or*
- (B) For a defaulted borrower who has regained eligibility, the academic year in which the borrower regained eligibility.*

Noncompliance: The reviewers found one (1) instance where loan periods for the student were overlapping each other.

Student #23: Student had subsidized loans for \$3,500.00 and \$2,333.00. The dates of the loans were 02/15/2011 – 12/09/2011 and 09/27/2011 – 01/31/2012. The student also had unsubsidized loans for \$2,500.00 and \$1,500.00. The dates of these loans were 09/27/2012 – 01/31/2012 and 01/17/2012 – 07/10/2012.

Required Action: The institution is reminded for future reference that loan periods must not overlap. The institution must explain the reasons for the overlapping dates and as part of its response to this finding, AOC must update its procedures for handling such issues and provide a copy of its updated procedures to the Department.

Finding #25. Students Not Informed of Available Aid

Citation: 34 C.F.R. § 668.43, *General Provisions*, states at a minimum, the following information must be provided about financial assistance available at a school:

- *The costs of attending the school (tuition and fees, books and supplies, room and board, and applicable transportation costs, such as commuting) and any additional costs of the program in which the student is enrolled or has expressed an interest,*
- *The need-based and non-need based federal financial aid that is available to students,*
- *The terms and conditions under which students receive FFEL, Direct Loans and Perkins Loans,*
- *The need-based and non-need based state and local aid programs, school aid programs, and other private aid programs that are available,*
- *How students apply for aid and how eligibility is determined,*
- *How the school distributes aid among students,*
- *The rights and responsibilities of students receiving aid,*
- *How and when financial aid will be disbursed,*

- *The terms and conditions of any employment that is part of the financial aid package,*
- *The terms of, the schedules for, and the necessity of loan repayment and required loan exit counseling,*
- *The criteria for measuring satisfactory academic progress, and how a student who has failed to maintain satisfactory progress may reestablish eligibility for federal financial aid,*
- *A statement of the requirements for the return of FSA funds when a student withdraws from school, information about any refund policy with which the school must comply, and the requirements for officially withdrawing from the school, and*
- *Whom to contact for information on student financial assistance and who for general school issues.*

Noncompliance: The reviewers found instances of students not being informed of all aid available to them. Students were not being informed of loan availability nor were rejections of loans for students found in student files.

Student #1: The student's cost of attendance was \$18,500.00. The student aid approved was \$9,050.00 which consisted of \$5,550.00 in Pell funds and \$3,500.00 in subsidized loan funds. No record found of student declining unsubsidized funds or being informed that unsubsidized funds were available.

Student #15: The student's cost of attendance was \$18,500.00. Student aid approved was \$5,550.00 which was all Pell funds. No record found of student declining loan funds or being informed that loan funds were available.

Student #30: The student's cost of attendance was \$18,500.00. Student aid approved was \$5,550.00 in Pell funds and \$3,500.00 in subsidized loan funds. No record found of student declining unsubsidized funds or being informed that unsubsidized funds were available.

Required Action: AOC is reminded that students must be informed of all financial aid available to them regardless to what the institution's position is on whether the aid is needed or not. The institution must develop procedures on how to address this issue in the future and forward a copy of those procedures to the Department as part of the response to this finding.

Finding #26. Annual Reporting/Campus Crime Report Missing Components

Citation Summary: 34 C.F.R. § 668.46, *General Provisions*, states that the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (formerly the Campus Security Act of 1990) requires an institution to publish specific crime-related information on an annual basis. The report includes information about a school's security policies and procedures, crime-prevention programs, and campus-crime

statistics. The school must distribute this information to all current students and employees and, on request, to prospective students and employees.

34 C.F.R. § 668.41(e), reporting and disclosure information, states that by October 1 of each year, an institution must distribute, to all enrolled students and current employees, its annual security report described in Sec. 668.46(b), through appropriate publications and mailings.

34 C.F.R. § 668.46(c)(1), Crime Statistics, states that crimes must be reported. An institution must report statistics for the three most recent calendar years concerning the occurrence on campus, in or on non-campus buildings or property, and on public property of the following that are reported to local police agencies or to a campus security authority.

34 C.F.R. § 668.46(g), Emergency Response and Evacuation Procedures, states that an institution must include a statement of policy regarding its emergency response and evacuation procedures in the annual campus safety report.

Noncompliance: The school's annual and campus crime reports are missing key components as noted that are necessary for compliance with Department regulations.

Campus Security: The institution does not have a statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 14071(j)), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address.

Campus Security Required Crime Statistics: The institution only has statistics on burglary and motor theft. The institution is missing the rest of the required components. The Institution must have statistics for all of the below listed categories:

- i. Criminal Homicide
 - A. Murder and non-negligent manslaughter
 - B. Negligent manslaughter
- ii. Sex offenses
 - A. Forcible sex offenses
 - B. Non-forcible sex offenses
- iii. Robbery
- iv. Aggravated assault
- v. Burglary
- vi. Motor Vehicle Theft
- vii. Arson
- viii. Liquor Law Violations

- A. Arrests for liquor law violations, drug law violations, and illegal weapons possession.
- B. Persons not included in part A, who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession.

Emergency Response and Evacuation Procedures: The institution has none of the required components. The Institution's Emergency Response and Evacuation Procedures must include:

1. Procedures to immediately notify the campus community upon the confirmation of a significant emergency or dangerous situation involving an immediate threat to the health or safety of students or employees occurring on the campus.
2. A statement that the institution will, without delay, and taking into account the safety of the community, determine the content of the notification and initiate the notification system, unless the notification, in the professional judgment of the responsible authorities, compromise efforts to assist victims or to contain, respond to, or otherwise mitigate the emergency.
3. A description of the process the institution will use to confirm that there is a significant emergency, determine who to notify, determine the content of the notification, and initiate the notification system.
4. The positions (titles) of the individuals or organizations who will:
 - i. Confirm that there is a significant emergency or dangerous situation as described in (g)(1) of this paragraph;
 - ii. Determine the content of the notification;
 - iii. Determine when to send the notification; and
 - iv. Initiate the notification system.
5. Plans to conduct a test of the emergency response and evacuation procedures on at least an annual basis.
 - i. A test may be announced or unannounced, but it must be conducted at a time when most of the students, faculty, and staff are expected to be present on campus.
 - ii. An institution must document each test, including the date, time, and whether it was announced or unannounced.

Required Action: In response to this report, the Institution must address and resolve the issues noted above. The Institution must develop a complete Campus Security Report, policies and procedures according to the requirements in the Federal regulations and submit a copy of its Campus Security Report, policies and procedures to this office. The institution must also provide assurances that this report is distributed to all of its current students and employees and made available to all prospective students and employees.

Finding #27. Part 86 Regulations/Drug Free Schools and Communities Act

The purpose of the Drug-Free Schools and Campuses Regulations is to implement section 22 of the Drug-Free Schools and Communities Act Amendments of 1989, which adds section 1213 to the Higher Education Act and section 5145 to the Drug-Free Schools and Communities Act. These amendments require that, as a condition of receiving funds or any other form of financial assistance under any Federal program, an institution of higher education (IHE), State educational agency (SEA), or local educational agency (LEA) must certify that it has adopted and implemented a drug prevention program as described in this part.

The Federal programs covered by this part include—

- (a) All programs administered by the Department of Education under which an IHE, SEA, or LEA may receive funds or any other form of Federal financial assistance; and*
- (b) All programs administered by any other Federal agency under which an IHE, SEA, or LEA may receive funds or any other form of Federal financial assistance.*

The IHE's drug prevention program must, at a minimum, include a biennial review by the IHE of its program to—

- (1) Determine its effectiveness and implement changes to the program if they are needed; and*
- (2) Ensure that the disciplinary sanctions described in paragraph (a)(6) of this section are consistently enforced. (Authority: 20 U.S.C. 1145g, 3224a)*

Noncompliance: During the review, it was noted that the Institution does not currently have a Biennial Review Document nor conduct the review as required per Federal regulations.

Required Action: The school must submit, as part of its response, a completed Biennial Review Document and give assurances that the review will be conducted in the future as required to determine if program changes are needed and to ensure that disciplinary sanctions are taken as necessary.

Finding #28. Lack of Separation of Duties

Citation: 34 C.F.R. § 668.15 & 34 C.F.R. § 668.16, *General Provisions*, states that to continue participation in the Title IV programs, an institution must demonstrate to the Secretary that it is capable of adequately administering those programs. A capable individual must be designated to be responsible for administering and coordinating the Title IV programs with the institution's other federal and non-federal programs of student financial assistance.

In determining whether an institution uses an adequate number of qualified personnel, the Secretary considers the numbers of students aided, the number and types of programs in which the institution participates, the number of applications evaluated, the amount of funds administered and the financial aid delivery system used by the institution. This system at a minimum must separate the functions of authorizing payment and disbursing or delivering funds so that no one person or office exercises both functions for any student receiving FSA funds. Small schools are not exempt from this requirement even though they may have limited staff. These two functions must be performed by individuals who are not members of the same family and who do not together exercise substantial control over the school.

Noncompliance: The reviewers found that the previous financial aid director, Sylvia Williams, had complete control over all aspects of the school's financial aid program with no checks and balances in place to make her accountable for actions taken on behalf of the institution.

Required Action: In order to comply with the regulations listed above, the institution must have a clear separation of duties to continue participation in the Title IV programs. The institution must ensure the functions of the financial aid office are carried out by at least two organizationally independent individuals or entities who are not members of the same family or who do not together, exercise substantial control over the institution. As part of the institution's response to this finding, the institution must explain how the separation of duties will be handled going forward.

Appendix A: Student Sample

Student #	Last Name	First Name
1	(b)(6); (b)(7)(C)	
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Final Program Review Determination
PRCN #: 201230427939

Appendix E
Cost of Funds

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: Academy of Cosmetology 2010/2011

No.	Description/Name	Ineligible Disbrsmnt	Program	Disbursement Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED	To Inst Accounts
1	(b)(6); (b)(7)(C)	\$1,850.00	Pell Grant	10/25/2010	8/19/2013	1029	1.00%	\$ 1,850.00	\$ 52.16	\$ -
		\$1,850.00	Pell Grant	10/27/2010	8/19/2013	1027	1.00%	\$ 1,850.00	\$ 52.06	\$ -
2		\$1,850.00	Pell Grant	7/22/2010	8/19/2013	1124	1.00%	\$ 1,850.00	\$ 56.98	\$ -
		\$1,850.00	Pell Grant	12/1/2010	8/19/2013	992	1.00%	\$ 1,850.00	\$ 50.28	\$ -
3		\$2,775.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 2,775.00	\$ 60.52	\$ -
4		\$2,775.00	Pell Grant	8/10/2010	8/19/2013	1105	1.00%	\$ 2,775.00	\$ 84.02	\$ -
5		\$2,775.00	Pell Grant	7/23/2010	8/19/2013	1123	1.00%	\$ 2,775.00	\$ 85.39	\$ -
		\$2,775.00	Pell Grant	3/22/2011	8/19/2013	881	1.00%	\$ 2,775.00	\$ 66.99	\$ -
6		\$2,775.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 2,775.00	\$ 78.70	\$ -
		\$2,775.00	Pell Grant	3/22/2011	8/19/2013	881	1.00%	\$ 2,775.00	\$ 66.99	\$ -
		\$1,850.00	Pell Grant	6/30/2011	8/19/2013	781	1.00%	\$ 1,850.00	\$ 39.59	\$ -
7		\$2,775.00	Pell Grant	9/22/2010	8/19/2013	1062	1.00%	\$ 2,775.00	\$ 80.75	\$ -
		\$2,775.00	Pell Grant	1/5/2011	8/19/2013	957	1.00%	\$ 2,775.00	\$ 72.77	\$ -
		\$1,850.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 1,850.00	\$ 40.35	\$ -
8		\$2,775.00	Pell Grant	7/12/2010	8/19/2013	1134	1.00%	\$ 2,775.00	\$ 86.22	\$ -
		\$2,775.00	Pell Grant	12/1/2010	8/19/2013	992	1.00%	\$ 2,775.00	\$ 75.43	\$ -
9		\$2,637.00	Pell Grant	3/28/2011	8/19/2013	875	1.00%	\$ 2,637.00	\$ 63.22	\$ -
10		\$500.00	Pell Grant	12/15/2010	8/19/2013	978	1.00%	\$ 500.00	\$ 13.40	\$ -
11		\$2,775.00	Pell Grant	3/28/2011	8/19/2013	875	1.00%	\$ 2,775.00	\$ 66.53	\$ -
12		\$2,775.00	Pell Grant	8/24/2010	8/19/2013	1091	1.00%	\$ 2,775.00	\$ 82.95	\$ -
		\$2,775.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 2,775.00	\$ 60.52	\$ -
13		\$2,775.00	Pell Grant	7/12/2010	8/19/2013	1134	1.00%	\$ 2,775.00	\$ 86.22	\$ -
14		\$1,850.00	Pell Grant	4/20/2011	8/19/2013	852	1.00%	\$ 1,850.00	\$ 43.19	\$ -
		\$1,850.00	Pell Grant	4/22/2011	8/19/2013	850	1.00%	\$ 1,850.00	\$ 43.09	\$ -
15		\$1,850.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 1,850.00	\$ 52.46	\$ -
		\$1,850.00	Pell Grant	1/20/2011	8/19/2013	942	1.00%	\$ 1,850.00	\$ 47.75	\$ -
16		\$2,775.00	Pell Grant	1/26/2011	8/19/2013	936	1.00%	\$ 2,775.00	\$ 71.17	\$ -
		\$2,775.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 2,775.00	\$ 60.52	\$ -
17		\$1,850.00	Pell Grant	11/8/2010	8/19/2013	1015	1.00%	\$ 1,850.00	\$ 51.45	\$ -
18		\$2,775.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 2,775.00	\$ 78.70	\$ -
19		\$2,775.00	Pell Grant	7/1/2010	8/19/2013	1145	1.00%	\$ 2,775.00	\$ 87.06	\$ -
20		\$2,775.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 2,775.00	\$ 78.70	\$ -
21		\$833.00	Pell Grant	9/30/2010	8/19/2013	1054	1.00%	\$ 833.00	\$ 24.06	\$ -
22		\$1,850.00	Pell Grant	9/30/2010	8/19/2013	1054	1.00%	\$ 1,850.00	\$ 53.43	\$ -
		\$1,850.00	Pell Grant	9/30/2010	8/19/2013	1054	1.00%	\$ 1,850.00	\$ 53.43	\$ -

23	(b)(6); (b)(7)(C)	\$2,775.00	Pell Grant	11/13/2010	8/19/2013	1010	1.00%	\$ 2,775.00	\$ 76.80	\$ -
		\$2,775.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 2,775.00	\$ 60.52	\$ -
24		\$2,775.00	Pell Grant	8/17/2010	8/19/2013	1098	1.00%	\$ 2,775.00	\$ 83.49	\$ -
25		\$2,775.00	Pell Grant	7/22/2010	8/19/2013	1124	1.00%	\$ 2,775.00	\$ 85.46	\$ -
		\$2,775.00	Pell Grant	11/13/2010	8/19/2013	1010	1.00%	\$ 2,775.00	\$ 76.80	\$ -
26		\$2,096.00	Pell Grant	6/8/2011	8/19/2013	803	1.00%	\$ 2,096.00	\$ 46.12	\$ -
27		\$2,775.00	Pell Grant	8/17/2010	8/19/2013	1098	1.00%	\$ 2,775.00	\$ 83.49	\$ -
		\$2,775.00	Pell Grant	12/15/2010	8/19/2013	978	1.00%	\$ 2,775.00	\$ 74.36	\$ -
		\$1,850.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 1,850.00	\$ 40.35	\$ -
28		\$2,775.00	Pell Grant	10/25/2010	8/19/2013	1029	1.00%	\$ 2,775.00	\$ 78.24	\$ -
		\$2,775.00	Pell Grant	10/27/2010	8/19/2013	1027	1.00%	\$ 2,775.00	\$ 78.09	\$ -
29		\$2,775.00	Pell Grant	8/17/2010	8/19/2013	1098	1.00%	\$ 2,775.00	\$ 83.49	\$ -
		\$2,775.00	Pell Grant	12/15/2010	8/19/2013	978	1.00%	\$ 2,775.00	\$ 74.36	\$ -
30		\$1,542.00	Pell Grant	7/22/2010	8/19/2013	1124	1.00%	\$ 1,542.00	\$ 47.49	\$ -
		\$1,542.00	Pell Grant	9/30/2010	8/19/2013	1054	1.00%	\$ 1,542.00	\$ 44.53	\$ -

Total Ineligible

\$118,300.00

Totals

\$ 3,200.64

\$ -

ACA Liability

Campus-Based Amounts Spent (from FISAP, Part VI, Section B)

Federal FWS

Federal SEOG

Federal Perkins

Total C-B Spent

\$ -

ACA Percentage

	Total	Federal Share
Pell	\$ 118,300.00	\$ 118,300.00
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ -	\$ -
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -

Total Campus-Based

\$ - \$ -

Interest Breakdown

Pell Grants

ACG

SMART

TEACH

FWS

FSEOG

Perkins

FWS-50% Match

FWS-No Match

FSEOG-No Match

Perkins-No Match

ACA Breakdown

FWS

FSEOG

Perkins

FWS-50% Match

FWS-No Match

FSEOG-No Match

Perkins-No Match

\$ 3,200.64	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: Academy of Cosmetology 2010/2011

No.	Description/Name	Ineligible Disbrsmnt	Program	Disburseme nt Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED	To Inst Accounts
31	(b)(6); (b)(7)(C)	\$2,775.00	Pell Grant	1/5/2011	8/19/2013	957	1.00%	\$ 2,775.00	\$ 72.77	\$ -
32		\$2,775.00	Pell Grant	11/13/2010	8/19/2013	1010	1.00%	\$ 2,775.00	\$ 76.80	\$ -
33		\$2,775.00	Pell Grant	1/26/2011	8/19/2013	936	1.00%	\$ 2,775.00	\$ 71.17	\$ -
34		\$2,775.00	Pell Grant	6/17/2010	8/19/2013	1159	1.00%	\$ 2,775.00	\$ 88.12	\$ -
35		\$2,775.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 2,775.00	\$ 78.70	\$ -
36		\$2,775.00	Pell Grant	9/22/2010	8/19/2013	1062	1.00%	\$ 2,775.00	\$ 80.75	\$ -
37		\$2,775.00	Pell Grant	6/17/2010	8/19/2013	1159	1.00%	\$ 2,775.00	\$ 88.12	\$ -
38		\$1,700.00	Pell Grant	8/31/2010	8/19/2013	1084	1.00%	\$ 1,700.00	\$ 50.49	\$ -
39		\$2,775.00	Pell Grant	1/5/2011	8/19/2013	957	1.00%	\$ 2,775.00	\$ 72.77	\$ -
40		\$2,775.00	Pell Grant	9/30/2010	8/19/2013	1054	1.00%	\$ 2,775.00	\$ 80.14	\$ -
		\$2,775.00	Pell Grant	11/13/2010	8/19/2013	1010	1.00%	\$ 2,775.00	\$ 76.80	\$ -
		\$1,850.00	Pell Grant	3/28/2011	8/19/2013	875	1.00%	\$ 1,850.00	\$ 44.35	\$ -
		\$1,850.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 1,850.00	\$ 40.35	\$ -
41		\$1,850.00	Pell Grant	9/9/2010	8/19/2013	1075	1.00%	\$ 1,850.00	\$ 54.49	\$ -
		\$1,850.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 1,850.00	\$ 52.46	\$ -
42		\$1,850.00	Pell Grant	9/9/2010	8/19/2013	1075	1.00%	\$ 1,850.00	\$ 54.49	\$ -
		\$1,850.00	Pell Grant	12/1/2010	8/19/2013	992	1.00%	\$ 1,850.00	\$ 50.28	\$ -
43		\$2,775.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 2,775.00	\$ 78.70	\$ -
		\$2,775.00	Pell Grant	3/28/2011	8/19/2013	875	1.00%	\$ 2,775.00	\$ 66.53	\$ -
44		\$2,775.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 2,775.00	\$ 60.52	\$ -
45		\$2,775.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 2,775.00	\$ 78.70	\$ -
46		\$1,766.00	Pell Grant	12/20/2010	8/19/2013	973	1.00%	\$ 1,766.00	\$ 47.08	\$ -
		\$1,766.00	Pell Grant	12/21/2010	8/19/2013	972	1.00%	\$ 1,766.00	\$ 47.03	\$ -
47		\$2,775.00	Pell Grant	3/28/2011	8/19/2013	875	1.00%	\$ 2,775.00	\$ 66.53	\$ -
48		\$2,775.00	Pell Grant	8/17/2010	8/19/2013	1098	1.00%	\$ 2,775.00	\$ 83.49	\$ -
		\$2,775.00	Pell Grant	12/1/2010	8/19/2013	992	1.00%	\$ 2,775.00	\$ 75.43	\$ -
		\$1,850.00	Pell Grant	4/22/2011	8/19/2013	850	1.00%	\$ 1,850.00	\$ 43.09	\$ -
49		\$2,775.00	Pell Grant	12/1/2010	8/19/2013	992	1.00%	\$ 2,775.00	\$ 75.43	\$ -
		\$2,775.00	Pell Grant	1/20/2011	8/19/2013	942	1.00%	\$ 2,775.00	\$ 71.62	\$ -
50		\$2,775.00	Pell Grant	3/28/2011	8/19/2013	875	1.00%	\$ 2,775.00	\$ 66.53	\$ -
		\$2,775.00	Pell Grant	6/30/2011	8/19/2013	781	1.00%	\$ 2,775.00	\$ 59.38	\$ -
51		\$2,775.00	Pell Grant	6/17/2010	8/19/2013	1159	1.00%	\$ 2,775.00	\$ 88.12	\$ -
52		\$1,850.00	Pell Grant	7/22/2010	8/19/2013	1124	1.00%	\$ 1,850.00	\$ 56.98	\$ -
		\$1,850.00	Pell Grant	8/24/2010	8/19/2013	1091	1.00%	\$ 1,850.00	\$ 55.30	\$ -
53		\$1,700.00	Pell Grant	12/1/2010	8/19/2013	992	1.00%	\$ 1,700.00	\$ 46.21	\$ -

54	(b)(6); (b)(7)(C)	\$2,775.00	Pell Grant	1/18/2011	8/19/2013	944	1.00%	\$ 2,775.00	\$ 71.78	\$ -
55		\$1,666.00	Pell Grant	1/25/2011	8/19/2013	937	1.00%	\$ 1,666.00	\$ 42.77	\$ -
		\$1,666.00	Pell Grant	1/26/2011	8/19/2013	936	1.00%	\$ 1,666.00	\$ 42.73	\$ -
56		\$2,400.00	Pell Grant	9/22/2010	8/19/2013	1062	1.00%	\$ 2,400.00	\$ 69.84	\$ -
57		\$2,775.00	Pell Grant	7/12/2010	8/19/2013	1134	1.00%	\$ 2,775.00	\$ 86.22	\$ -
		\$2,775.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 2,775.00	\$ 78.70	\$ -
58		\$2,775.00	Pell Grant	8/17/2010	8/19/2013	1098	1.00%	\$ 2,775.00	\$ 83.49	\$ -
		\$2,775.00	Pell Grant	11/13/2010	8/19/2013	1010	1.00%	\$ 2,775.00	\$ 76.80	\$ -
59		\$2,775.00	Pell Grant	1/5/2011	8/19/2013	957	1.00%	\$ 2,775.00	\$ 72.77	\$ -
		\$2,775.00	Pell Grant	4/22/2011	8/19/2013	850	1.00%	\$ 2,775.00	\$ 64.63	\$ -
60		\$2,775.00	Pell Grant	8/10/2010	8/19/2013	1105	1.00%	\$ 2,775.00	\$ 84.02	\$ -
		\$2,775.00	Pell Grant	12/1/2010	8/19/2013	992	1.00%	\$ 2,775.00	\$ 75.43	\$ -
61		\$1,150.00	Pell Grant	8/6/2010	8/19/2013	1109	1.00%	\$ 1,150.00	\$ 34.94	\$ -
62		\$2,775.00	Pell Grant	3/28/2011	8/19/2013	875	1.00%	\$ 2,775.00	\$ 66.53	\$ -
63		\$2,775.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 2,775.00	\$ 60.52	\$ -

Total Ineligible **\$122,039.00**

Totals
ACA Liability **\$ 3,310.89 \$ -**

Campus-Based Amounts Spent (from FISAP, Part VI, Section B)

Federal FWS
Federal SEOG
Federal Perkins

Total C-B Spent
ACA Percentage

	Total	Federal Share
Pell	\$ 122,039.00	\$ 122,039.00
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ -	\$ -
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -

Total Campus-Based **\$ - \$ -**

Interest Breakdown

Pell Grants	\$ 3,310.89	\$ -
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ -	\$ -
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -

ACA Breakdown

FWS	<input type="text"/>
FSEOG	<input type="text"/>
Perkins	<input type="text"/>
FWS-50% Match	<input type="text"/>
FWS-No Match	<input type="text"/>
FSEOG-No Match	<input type="text"/>
Perkins-No Match	<input type="text"/>

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: Academy of Cosmetology 2010/2011

No.	Description/Name	Ineligible Disbrsmnt	Program	Disburseme nt Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED	To Inst Accounts
64	(b)(6); (b)(7)(C)	\$2,600.00	Pell Grant	7/12/2010	8/19/2013	1134	1.00%	\$ 2,600.00	\$ 80.79	\$ -
		\$2,500.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 2,500.00	\$ 70.90	\$ -
		\$1,700.00	Pell Grant	4/20/2011	8/19/2013	852	1.00%	\$ 1,700.00	\$ 39.69	\$ -
		\$1,625.00	Pell Grant	4/22/2011	8/19/2013	850	1.00%	\$ 1,625.00	\$ 37.85	\$ -
65		\$2,775.00	Pell Grant	7/22/2010	8/19/2013	1124	1.00%	\$ 2,775.00	\$ 85.46	\$ -
66		\$1,850.00	Pell Grant	8/31/2010	8/19/2013	1084	1.00%	\$ 1,850.00	\$ 54.95	\$ -
		\$1,850.00	Pell Grant	8/30/2010	8/19/2013	1085	1.00%	\$ 1,850.00	\$ 55.00	\$ -
67		\$2,775.00	Pell Grant	8/13/2010	8/19/2013	1102	1.00%	\$ 2,775.00	\$ 83.79	\$ -
		\$2,775.00	Pell Grant	9/30/2010	8/19/2013	1054	1.00%	\$ 2,775.00	\$ 80.14	\$ -
		\$1,850.00	Pell Grant	3/28/2011	8/19/2013	875	1.00%	\$ 1,850.00	\$ 44.35	\$ -
		\$1,850.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 1,850.00	\$ 40.35	\$ -
68		\$2,775.00	Pell Grant	7/22/2010	8/19/2013	1124	1.00%	\$ 2,775.00	\$ 85.46	\$ -
		\$2,775.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 2,775.00	\$ 60.52	\$ -
69		\$2,775.00	Pell Grant	8/6/2010	8/19/2013	1109	1.00%	\$ 2,775.00	\$ 84.32	\$ -
		\$1,850.00	Pell Grant	4/22/2011	8/19/2013	850	1.00%	\$ 1,850.00	\$ 43.09	\$ -
70		\$2,775.00	Pell Grant	1/26/2011	8/19/2013	936	1.00%	\$ 2,775.00	\$ 71.17	\$ -
		\$2,775.00	Pell Grant	6/30/2011	8/19/2013	781	1.00%	\$ 2,775.00	\$ 59.38	\$ -
71		\$2,775.00	Pell Grant	7/27/2010	8/19/2013	1119	1.00%	\$ 2,775.00	\$ 85.08	\$ -
		\$2,775.00	Pell Grant	11/8/2010	8/19/2013	1015	1.00%	\$ 2,775.00	\$ 77.18	\$ -
72		\$2,775.00	Pell Grant	8/17/2010	8/19/2013	1098	1.00%	\$ 2,775.00	\$ 83.49	\$ -
		\$2,775.00	Pell Grant	1/5/2011	8/19/2013	957	1.00%	\$ 2,775.00	\$ 72.77	\$ -
		\$1,850.00	Pell Grant	4/2/2011	8/19/2013	870	1.00%	\$ 1,850.00	\$ 44.10	\$ -
73		\$2,775.00	Pell Grant	8/17/2010	8/19/2013	1098	1.00%	\$ 2,775.00	\$ 83.49	\$ -
		\$2,775.00	Pell Grant	12/15/2010	8/19/2013	978	1.00%	\$ 2,775.00	\$ 74.36	\$ -
		\$1,850.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 1,850.00	\$ 40.35	\$ -
74		\$2,775.00	Pell Grant	12/21/2010	8/19/2013	972	1.00%	\$ 2,775.00	\$ 73.91	\$ -
75		\$2,972.00	Pell Grant	8/31/2010	8/19/2013	1084	1.00%	\$ 2,972.00	\$ 88.27	\$ -
76		\$1,100.00	Pell Grant	9/22/2010	8/19/2013	1062	1.00%	\$ 1,100.00	\$ 32.01	\$ -
77		\$2,775.00	Pell Grant	9/9/2010	8/19/2013	1075	1.00%	\$ 2,775.00	\$ 81.74	\$ -
		\$1,850.00	Pell Grant	1/12/2011	8/19/2013	950	1.00%	\$ 1,850.00	\$ 48.16	\$ -
78		\$2,775.00	Pell Grant	4/20/2011	8/19/2013	852	1.00%	\$ 2,775.00	\$ 64.78	\$ -
		\$2,775.00	Pell Grant	4/22/2011	8/19/2013	850	1.00%	\$ 2,775.00	\$ 64.63	\$ -
79		\$2,775.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 2,775.00	\$ 60.52	\$ -
80		\$2,775.00	Pell Grant	9/22/2010	8/19/2013	1062	1.00%	\$ 2,775.00	\$ 80.75	\$ -
		\$2,775.00	Pell Grant	1/20/2011	8/19/2013	942	1.00%	\$ 2,775.00	\$ 71.62	\$ -
		\$1,850.00	Pell Grant	6/15/2011	8/19/2013	796	1.00%	\$ 1,850.00	\$ 40.35	\$ -

81	(b)(6); (b)(7)(C)	\$1,850.00	Pell Grant	11/8/2010	8/19/2013	1015	1.00%	\$ 1,850.00	\$ 51.45	\$ -
		\$1,850.00	Pell Grant	3/28/2011	8/19/2013	875	1.00%	\$ 1,850.00	\$ 44.35	\$ -
82		\$2,000.00	Pell Grant	1/20/2011	8/19/2013	942	1.00%	\$ 2,000.00	\$ 51.62	\$ -
83		\$2,775.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 2,775.00	\$ 78.70	\$ -
		\$2,775.00	Pell Grant	10/20/2010	8/19/2013	1034	1.00%	\$ 2,775.00	\$ 78.62	\$ -
		\$1,850.00	Pell Grant	3/28/2011	8/19/2013	875	1.00%	\$ 1,850.00	\$ 44.35	\$ -
84		\$2,775.00	Pell Grant	8/31/2010	8/19/2013	1084	1.00%	\$ 2,775.00	\$ 82.42	\$ -
85		\$2,291.00	Pell Grant	6/29/2011	8/19/2013	782	1.00%	\$ 2,291.00	\$ 49.09	\$ -
		\$2,292.00	Pell Grant	6/30/2011	8/19/2013	781	1.00%	\$ 2,292.00	\$ 49.05	\$ -
86		\$2,775.00	Pell Grant	12/15/2010	8/19/2013	978	1.00%	\$ 2,775.00	\$ 74.36	\$ -
87		\$2,775.00	Pell Grant	1/5/2011	8/19/2013	957	1.00%	\$ 2,775.00	\$ 72.77	\$ -
88		\$1,833.00	Pell Grant	8/6/2010	8/19/2013	1109	1.00%	\$ 1,833.00	\$ 55.70	\$ -
		\$1,833.00	Pell Grant	10/19/2010	8/19/2013	1035	1.00%	\$ 1,833.00	\$ 51.98	\$ -

Total Ineligible **\$117,096.00**

Campus-Based Amounts Spent (from FISAP, Part VI, Section B)

Federal FWS	
Federal SEOG	
Federal Perkins	

Total C-B Spent	\$ -
ACA Percentage	

	Total	Federal Share
Pell	\$117,096.00	\$ 117,096.00
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ -	\$ -
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -

Total Campus-Based **\$ - \$ -**

Totals	\$ 3,129.23	\$ -
ACA Liability		

Interest Breakdown

Pell Grants	\$ 3,129.23	\$ -
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ -	\$ -
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -

ACA Breakdown

FWS	
FSEOG	
Perkins	
FWS-50% Match	
FWS-No Match	
FSEOG-No Match	
Perkins-No Match	

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: Academy of Cosmetology 2010/2011

[illegible]

[illegible]

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: Academy of Cosmetology 2011/2012

No.	Description/Name	Ineligible Disbrsmnt	Program	Disburseme nt Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED	To Inst Accounts
1	(b)(6); (b)(7)(C)	\$2,775.00	Pell Grant	11/18/2011	8/19/2013	640	1.00%	\$ 2,775.00	\$ 48.66	\$ -
2		\$1,850.00	Pell Grant	11/3/2011	8/19/2013	655	1.00%	\$ 1,850.00	\$ 33.20	\$ -
3		\$842.00	Pell Grant	9/19/2012	8/19/2013	334	1.00%	\$ 842.00	\$ 7.71	\$ -
4		\$1,850.00	Pell Grant	9/28/2011	8/19/2013	691	1.00%	\$ 1,850.00	\$ 35.03	\$ -
5		\$1,850.00	Pell Grant	9/29/2011	8/19/2013	690	1.00%	\$ 1,850.00	\$ 34.98	\$ -
6		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
		\$2,775.00	Pell Grant	2/6/2012	8/19/2013	560	1.00%	\$ 2,775.00	\$ 42.58	\$ -
		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
7		\$2,775.00	Pell Grant	5/9/2012	8/19/2013	467	1.00%	\$ 2,775.00	\$ 35.51	\$ -
		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
8		\$2,775.00	Pell Grant	2/6/2012	8/19/2013	560	1.00%	\$ 2,775.00	\$ 42.58	\$ -
9		\$2,775.00	Pell Grant	11/3/2011	8/19/2013	655	1.00%	\$ 2,775.00	\$ 49.80	\$ -
10		\$1,800.00	Pell Grant	4/4/2012	8/19/2013	502	1.00%	\$ 1,800.00	\$ 24.76	\$ -
11		\$2,775.00	Pell Grant	2/23/2012	8/19/2013	543	1.00%	\$ 2,775.00	\$ 41.29	\$ -
		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
12		\$950.00	Pell Grant	2/28/2012	8/19/2013	538	1.00%	\$ 950.00	\$ 14.00	\$ -
13		\$2,775.00	Pell Grant	2/10/2012	8/19/2013	556	1.00%	\$ 2,775.00	\$ 42.28	\$ -
14		\$2,775.00	Pell Grant	2/23/2012	8/19/2013	543	1.00%	\$ 2,775.00	\$ 41.29	\$ -
15		\$2,775.00	Pell Grant	10/13/2011	8/19/2013	676	1.00%	\$ 2,775.00	\$ 51.40	\$ -
16		\$2,775.00	Pell Grant	11/18/2011	8/19/2013	640	1.00%	\$ 2,775.00	\$ 48.66	\$ -
		\$2,775.00	Pell Grant	5/15/2012	8/19/2013	461	1.00%	\$ 2,775.00	\$ 35.05	\$ -
17		\$2,775.00	Pell Grant	4/18/2012	8/19/2013	488	1.00%	\$ 2,775.00	\$ 37.11	\$ -
18		\$1,500.00	Pell Grant	9/28/2011	8/19/2013	691	1.00%	\$ 1,500.00	\$ 28.40	\$ -
		\$1,500.00	Pell Grant	12/19/2011	8/19/2013	609	1.00%	\$ 1,500.00	\$ 25.03	\$ -
19		\$2,750.00	Pell Grant	2/5/2012	8/19/2013	561	1.00%	\$ 2,750.00	\$ 42.27	\$ -
20		\$2,775.00	Pell Grant	2/23/2012	8/19/2013	543	1.00%	\$ 2,775.00	\$ 41.29	\$ -
21		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
22		\$2,775.00	Pell Grant	4/24/2012	8/19/2013	482	1.00%	\$ 2,775.00	\$ 36.65	\$ -
23		\$1,850.00	Pell Grant	8/11/2011	8/19/2013	739	1.00%	\$ 1,850.00	\$ 37.46	\$ -
		\$1,850.00	Pell Grant	8/13/2011	8/19/2013	737	1.00%	\$ 1,850.00	\$ 37.36	\$ -
24		\$2,775.00	Pell Grant	9/19/2012	8/19/2013	334	1.00%	\$ 2,775.00	\$ 25.40	\$ -
25		\$2,775.00	Pell Grant	9/28/2011	8/19/2013	691	1.00%	\$ 2,775.00	\$ 52.54	\$ -
		\$2,775.00	Pell Grant	1/6/2012	8/19/2013	591	1.00%	\$ 2,775.00	\$ 44.94	\$ -
26		\$2,775.00	Pell Grant	11/3/2011	8/19/2013	655	1.00%	\$ 2,775.00	\$ 49.80	\$ -
27		\$2,775.00	Pell Grant	9/28/2011	8/19/2013	691	1.00%	\$ 2,775.00	\$ 52.54	\$ -

28	(b)(6); (b)(7)(C)	\$2,775.00	Pell Grant	12/19/2011	8/19/2013	609	1.00%	\$ 2,775.00	\$ 46.31	\$ -
29		\$2,775.00	Pell Grant	11/3/2011	8/19/2013	655	1.00%	\$ 2,775.00	\$ 49.80	\$ -
30		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
31		\$2,750.00	Pell Grant	11/18/2011	8/19/2013	640	1.00%	\$ 2,750.00	\$ 48.22	\$ -
32		\$2,775.00	Pell Grant	5/16/2012	8/19/2013	460	1.00%	\$ 2,775.00	\$ 34.98	\$ -
33		\$2,775.00	Pell Grant	11/18/2011	8/19/2013	640	1.00%	\$ 2,775.00	\$ 48.66	\$ -
34		\$2,775.00	Pell Grant	8/23/2011	8/19/2013	727	1.00%	\$ 2,775.00	\$ 55.28	\$ -
		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
35		\$2,750.00	Pell Grant	11/8/2011	8/19/2013	650	1.00%	\$ 2,750.00	\$ 48.98	\$ -
36		\$2,775.00	Pell Grant	9/19/2012	8/19/2013	334	1.00%	\$ 2,775.00	\$ 25.40	\$ -
37		\$1,650.00	Pell Grant	9/28/2011	8/19/2013	691	1.00%	\$ 1,650.00	\$ 31.24	\$ -
38		\$2,775.00	Pell Grant	5/9/2012	8/19/2013	467	1.00%	\$ 2,775.00	\$ 35.51	\$ -
39		\$2,775.00	Pell Grant	4/23/2012	8/19/2013	483	1.00%	\$ 2,775.00	\$ 36.72	\$ -
40		\$1,850.00	Pell Grant	9/28/2011	8/19/2013	691	1.00%	\$ 1,850.00	\$ 35.03	\$ -

Total Ineligible

\$121,942.00

Totals

\$ 1,838.49 \$ -

ACA Liability

Campus-Based Amounts Spent (from FISAP, Part VI, Section B)

Federal FWS
Federal SEOG
Federal Perkins

Total C-B Spent
ACA Percentage

\$ -

Pell
ACG
SMART
TEACH
FWS
FSEOG
Perkins
FWS-50% Match
FWS-No Match
FSEOG-No Match
Perkins-No Match

Total	Federal Share
\$ 121,942.00	\$ 121,942.00
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -

Total Campus-Based

\$ - \$ -

Interest Breakdown

Pell Grants
ACG
SMART
TEACH
FWS
FSEOG
Perkins
FWS-50% Match
FWS-No Match
FSEOG-No Match
Perkins-No Match

\$ 1,838.49	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -

ACA Breakdown

FWS
FSEOG
Perkins
FWS-50% Match
FWS-No Match
FSEOG-No Match
Perkins-No Match

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: Academy of Cosmetology 2011/2012

No.	Description/Name	Ineligible Disbrsmnt	Program	Disburseme nt Date	Return Paid Date	No. of Days	Imputed CVFR	Federal Share	To ED	To Inst Accounts
41	(b)(6); (b)(7)(C)	\$2,775.00	Pell Grant	9/19/2012	8/19/2013	334	1.00%	\$ 2,775.00	\$ 25.40	\$ -
		\$2,775.00	Pell Grant	9/19/2012	8/19/2013	334	1.00%	\$ 2,775.00	\$ 25.40	\$ -
42		\$1,850.00	Pell Grant	10/13/2011	8/19/2013	676	1.00%	\$ 1,850.00	\$ 34.27	\$ -
		\$1,850.00	Pell Grant	11/18/2011	8/19/2013	640	1.00%	\$ 1,850.00	\$ 32.44	\$ -
43		\$2,775.00	Pell Grant	11/1/2011	8/19/2013	657	1.00%	\$ 2,775.00	\$ 49.95	\$ -
44		\$2,775.00	Pell Grant	9/6/2011	8/19/2013	713	1.00%	\$ 2,775.00	\$ 54.21	\$ -
		\$2,775.00	Pell Grant	11/3/2011	8/19/2013	655	1.00%	\$ 2,775.00	\$ 49.80	\$ -
45		\$2,775.00	Pell Grant	2/6/2012	8/19/2013	560	1.00%	\$ 2,775.00	\$ 42.58	\$ -
		\$2,775.00	Pell Grant	8/31/2011	8/19/2013	719	1.00%	\$ 2,775.00	\$ 54.67	\$ -
46		\$2,400.00	Pell Grant	1/24/2012	8/19/2013	573	1.00%	\$ 2,400.00	\$ 37.68	\$ -
		\$2,400.00	Pell Grant	5/1/2012	8/19/2013	475	1.00%	\$ 2,400.00	\$ 31.24	\$ -
47		\$500.00	Pell Grant	2/9/2012	8/19/2013	557	1.00%	\$ 500.00	\$ 7.63	\$ -
		\$500.00	Pell Grant	2/10/2012	8/19/2013	556	1.00%	\$ 500.00	\$ 7.62	\$ -
48		\$2,775.00	Pell Grant	8/11/2011	8/19/2013	739	1.00%	\$ 2,775.00	\$ 56.19	\$ -
49		\$2,775.00	Pell Grant	4/4/2012	8/19/2013	502	1.00%	\$ 2,775.00	\$ 38.17	\$ -
50		\$2,775.00	Pell Grant	9/28/2011	8/19/2013	691	1.00%	\$ 2,775.00	\$ 52.54	\$ -
		\$2,775.00	Pell Grant	12/19/2011	8/19/2013	609	1.00%	\$ 2,775.00	\$ 46.31	\$ -
51		\$1,433.00	Pell Grant	9/28/2011	8/19/2013	691	1.00%	\$ 1,433.00	\$ 27.13	\$ -
52		\$2,775.00	Pell Grant	1/17/2012	8/19/2013	580	1.00%	\$ 2,775.00	\$ 44.10	\$ -
		\$2,775.00	Pell Grant	5/1/2012	8/19/2013	475	1.00%	\$ 2,775.00	\$ 36.12	\$ -
53		\$2,775.00	Pell Grant	1/24/2012	8/19/2013	573	1.00%	\$ 2,775.00	\$ 43.57	\$ -
		\$2,775.00	Pell Grant	3/30/2012	8/19/2013	507	1.00%	\$ 2,775.00	\$ 38.55	\$ -
54		\$1,850.00	Pell Grant	9/28/2011	8/19/2013	691	1.00%	\$ 1,850.00	\$ 35.03	\$ -
		\$1,850.00	Pell Grant	9/29/2011	8/19/2013	690	1.00%	\$ 1,850.00	\$ 34.98	\$ -
55		\$2,775.00	Pell Grant	8/11/2011	8/19/2013	739	1.00%	\$ 2,775.00	\$ 56.19	\$ -
		\$2,775.00	Pell Grant	1/6/2012	8/19/2013	591	1.00%	\$ 2,775.00	\$ 44.94	\$ -
56		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
57		\$1,850.00	Pell Grant	8/23/2011	8/19/2013	727	1.00%	\$ 1,850.00	\$ 36.85	\$ -
58		\$2,775.00	Pell Grant	1/24/2012	8/19/2013	573	1.00%	\$ 2,775.00	\$ 43.57	\$ -
		\$2,775.00	Pell Grant	1/25/2012	8/19/2013	572	1.00%	\$ 2,775.00	\$ 43.49	\$ -
59		\$2,775.00	Pell Grant	2/23/2011	8/19/2013	908	1.00%	\$ 2,775.00	\$ 69.04	\$ -
60		\$2,775.00	Pell Grant	11/18/2011	8/19/2013	640	1.00%	\$ 2,775.00	\$ 48.66	\$ -
		\$2,775.00	Pell Grant	4/17/2012	8/19/2013	489	1.00%	\$ 2,775.00	\$ 37.18	\$ -
61		\$2,775.00	Pell Grant	8/23/2011	8/19/2013	727	1.00%	\$ 2,775.00	\$ 55.28	\$ -
		\$2,775.00	Pell Grant	3/23/2012	8/19/2013	514	1.00%	\$ 2,775.00	\$ 39.08	\$ -

62	(b)(6); (b)(7)(C)	\$1,850.00	Pell Grant	11/18/2011	8/19/2013	640	1.00%	\$ 1,850.00	\$ 32.44	\$ -
63		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
64		\$1,850.00	Pell Grant	11/18/2011	8/19/2013	640	1.00%	\$ 1,850.00	\$ 32.44	\$ -
65		\$2,775.00	Pell Grant	1/24/2012	8/19/2013	573	1.00%	\$ 2,775.00	\$ 43.57	\$ -
		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
66		\$2,775.00	Pell Grant	4/18/2012	8/19/2013	488	1.00%	\$ 2,775.00	\$ 37.11	\$ -
		\$2,775.00	Pell Grant	8/3/2012	8/19/2013	381	1.00%	\$ 2,775.00	\$ 28.97	\$ -
67		\$2,775.00	Pell Grant	8/11/2011	8/19/2013	739	1.00%	\$ 2,775.00	\$ 56.19	\$ -
		\$2,775.00	Pell Grant	3/30/2012	8/19/2013	507	1.00%	\$ 2,775.00	\$ 38.55	\$ -
68		\$2,775.00	Pell Grant	9/6/2011	8/19/2013	713	1.00%	\$ 2,775.00	\$ 54.21	\$ -
		\$2,775.00	Pell Grant	2/13/2012	8/19/2013	553	1.00%	\$ 2,775.00	\$ 42.05	\$ -
69		\$1,850.00	Pell Grant	9/6/2011	8/19/2013	713	1.00%	\$ 1,850.00	\$ 36.14	\$ -
		\$1,850.00	Pell Grant	3/6/2012	8/19/2013	531	1.00%	\$ 1,850.00	\$ 26.92	\$ -
70		\$2,775.00	Pell Grant	2/23/2012	8/19/2013	543	1.00%	\$ 2,775.00	\$ 41.29	\$ -

Total Ineligible

\$121,008.00

Totals

\$ 1,936.65

\$ -

ACA Liability

Campus-Based Amounts Spent (from FISAP, Part VI, Section B)

Federal FWS
Federal SEOG
Federal Perkins

Total C-B Spent
ACA Percentage

\$ -

	Total	Federal Share
Pell	\$ 121,008.00	\$ 121,008.00
ACG	\$ -	\$ -
SMART	\$ -	\$ -
TEACH	\$ -	\$ -
FWS	\$ -	\$ -
FSEOG	\$ -	\$ -
Perkins	\$ -	\$ -
FWS-50% Match	\$ -	\$ -
FWS-No Match	\$ -	\$ -
FSEOG-No Match	\$ -	\$ -
Perkins-No Match	\$ -	\$ -

Total Campus-Based

\$ -	\$ -
------	------

Interest Breakdown

Pell Grants
ACG
SMART
TEACH
FWS
FSEOG
Perkins
FWS-50% Match
FWS-No Match
FSEOG-No Match
Perkins-No Match

\$ 1,936.65	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -

ACA Breakdown

FWS
FSEOG
Perkins
FWS-50% Match
FWS-No Match
FSEOG-No Match
Perkins-No Match

Name of Institution: Academy of Cosmetology 2011/2012

Academy of Cosmetology 2011/2012

!

[illegible]

Ineligible Disbursements (Non-Loan) - Cost of Funds and Administrative Cost Allowance

Name of Institution: Academy of Cosmetology

[illegible]

Final Program Review Determination
PRCN #: 201230427939

Appendix F

Estimated Actual Loss

The Estimated Actual Loss Formula (EALF) is used for only certain types of findings on ineligible FFEL and Direct Loan liabilities. The EALF estimates (1) the principal amount that has or will default; and (2) the interest and special allowance on the entire ineligible loan amount.

The EALF uses an institution's applicable cohort default rate (CDR) to estimate the amount of defaults from the ineligible principal amount. This is usually the institution's latest published CDR. Draft CDRs are not used unless there is no prior CDR.

Example: Ineligible Principal Loan Amount \$100,000
 Cohort Default Rate 10.0%
 Estimated Default Amount Due \$ 10,000

The EALF calculates interest and special allowance (SA), where applicable, on the entire amount of ineligible loan principal. The number of days used to calculate interest and special allowance is based on average historical data for various time periods for different types of schools.

Period	School Type	One-Year	Two-Year	Four-Year	Rate Types
Disbursement to Repayment		584	774	969	Interest & SA
Repayment to Default		418	498	619	SA
Repayment to Paid In Full		1659	1580	1712	SA

The EALF uses the actual interest rates in effect when the ineligible loans were disbursed and an annualized average of the quarterly special allowance rates in effect. The EALF divides the number of days in each time period so that changes in interest and special allowance rates are considered. The EALF also assumes that the ineligible loans were made in two disbursements after a 30-day delay.

Example for the Disbursement to Repayment Period for a Two-Year Institution (2004-05)
 Variable Rate Ineligible Loans: \$40,000 subsidized and \$60,000 unsubsidized
 Interest Rates: 04-05 (2.77), 05-06 (4.70), 06-07 (6.54)
 SA Rates: 04-05 (1.45), 05-06 (1.55), 06-07 (0.53)

Subsidized Loan Amount (Interest and Special Allowance)

$$\begin{aligned} & \$40,000/2 \times (451 \times (.0422/365)) \\ & + \$40,000/2 \times (730 \times (.0625/365)) \\ & + \$40,000/2 \times (367 \times (.0707/365)) = \$4,964.61 \end{aligned}$$

Unsubsidized Loan Amount (Special Allowance Only)

$$\begin{aligned} & \$60,000/2 \times (451 \times (.0145/365)) \\ & + \$60,000/2 \times (730 \times (.0155/365)) \\ & + \$60,000/2 \times (367 \times (.0053/365)) = \$1,627.36 \end{aligned}$$

NOTE: The number of days of 774 for this time period is doubled to 1548 (451+730+367) because the principal amount is divided by two.

Similar calculations are made for the other two periods. The total liability is the sum of the default amount with the interest and special allowance calculations for all three periods.

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula

Estimated Loss Formula

8/16/2013

Enter Institution Name

Academy of Cosmetology

Select Institution Type

Proprietary 2 Yrs or Less

Select Type of Loan		Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1	DL Subsidized	2011-2012	\$ 150,414.00	22.20%	9.06%	\$ 13,631.05
2	DL Unsubsidized	2011-2012	\$ 176,392.00	22.20%	-13.23%	\$ -
3	DL Subsidized	2010-2011	\$ 237,525.00	22.20%	15.56%	\$ 36,951.77
Description			\$ 564,331.00			\$ 50,582.82
4	DL Unsubsidized	2010-2011	\$ 184,229.00	22.20%	-5.99%	\$ -
5	DL PLUS	2010-2011	\$ 36,208.00	22.20%	-18.26%	\$ -
6						
Description			\$ 220,437.00			\$ -
7						
8						
9						
Description			\$ -			\$ -
10						
11						
12						
Description			\$ -			\$ -
Original Ineligible Loan Liability			\$ 784,768.00	Total Estimated Loss		\$ 50,582.82

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula

To calculate estimated loss for a given ineligible loan amount, that amount is multiplied by the total subsidy rates calculated for the ineligible loans. Consolidation Loans will be obtained in the future to prepay some of the ineligible loans; the amount of Consolidation Loans divided by the ineligible Stafford/PLUS loans equals the "Consolidation prepayment rate" (H) for those loans.

The Department's Budget Office calculates, on an annual basis, the rate per dollar of loan of default subsidies (DSRs) and all other subsidies (OSRs) (D & F) for Stafford and PLUS Loans, by cohort year, program, loan type, and risk group (note that 2008-2010 FFEL loan costs are calculated only by cohort year).

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***
1	22.20%	14.49%	1.53	6.50%	9.95%	-2.17%	2019	21.1%	3.19%	2.89%
2	22.20%	14.49%	1.53	9.11%	13.94%	-28.46%	2019	23.7%	3.26%	2.17%
3	22.20%	14.49%	1.53	6.28%	9.61%	5.00%	2018	21.1%	3.19%	1.30%
4	22.20%	14.49%	1.53	8.76%	13.40%	-19.94%	2018	23.0%	3.39%	-1.02%
5	22.20%	14.49%	1.53	5.04%	7.71%	-21.59%	2014	17.0%	2.63%	-28.38%
6										
7										
8										
9										
10										
11										
12										

Federal Student Aid (FSA) calculates the cohort default rates (CDRs) of the institution (A), and the average CDR for the sector for that institution (B). FSA applies the CDR comparison ratio (C), $[A/B = C]$ against the Budget

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula

Office's cohort loan DSR (D) to determine the default subsidy rate for the institution (E). The Budget Office estimates the default subsidy rate and other subsidy rate for the Consolidation Loans that will prepay some of these Stafford and PLUS Loans (I & J).

The total subsidy rate for the ineligible Stafford and PLUS Loans is $((E+F) + ((I+J) \times H))$.

The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

Institution Name: Academy of Cosmetology
 OPE ID: 03088300
 Appendix F - Estimated Loss Formula (Finding 11)

Estimated Loss Formula

8/19/2013

Enter Institution Name Academy of Cosmetology

Select Institution Type Proprietary 2 Yrs or Less

Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1 DL Subsidized	2010-2011	\$ 45,832.00	22.20%	15.56%	\$ 7,130.09
2 DL Unsubsidized	2010-2011	\$ 45,832.00	22.20%	-5.99%	\$ -
3 DL PLUS	2010-2011	\$ 83,333.00	22.20%	-18.26%	\$ -
Description		\$ 174,997.00			\$ 7,130.09
4					
5					
6					
Description		\$ -			\$ -
7					
8					
9					
Description		\$ -			\$ -
10					
11					
12					
Description		\$ -			\$ -
Original Ineligible Loan Liability		\$ 174,997.00	Total Estimated Loss		\$ 7,130.09

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula (Finding 11)

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula (Finding 11)

To calculate estimated loss for a given ineligible loan amount, that amount is multiplied by the total subsidy rates calculated for the ineligible loans. Consolidation Loans will be obtained in the future to prepay some of the ineligible loans; the amount of Consolidation Loans divided by the ineligible Stafford/PLUS loans equals the "Consolidation prepayment rate" (H) for those loans.

The Department's Budget Office calculates, on an annual basis, the rate per dollar of loan of default subsidies (DSRs) and all other subsidies (OSRs) (D & F) for Stafford and PLUS Loans, by cohort year, program, loan type, and risk group (note that 2008-2010 FFEL loan costs are calculated only by cohort year).

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***
1	22.20%	14.49%	1.53	6.28%	9.61%	5.00%	2018	21.1%	3.19%	1.30%
2	22.20%	14.49%	1.53	8.76%	13.40%	19.94%	2018	23.0%	3.39%	1.02%
3	22.20%	14.49%	1.53	5.04%	7.71%	21.59%	2014	17.0%	2.63%	28.38%
4										
5										
6										
7										
8										
9										
10										
11										
12										

Federal Student Aid (FSA) calculates the cohort default rates (CDRs) of the institution (A), and the average CDR for the sector for that institution (B). FSA applies the CDR comparison ratio (C), $[A/B = C]$ against the Budget

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula (Finding 11)

Office's cohort loan DSR (D) to determine the default subsidy rate for the institution (E). The Budget Office estimates the default subsidy rate and other subsidy rate for the Consolidation Loans that will prepay some of these Stafford and PLUS Loans (I & J).

The total subsidy rate for the ineligible Stafford and PLUS Loans is $((E+F) + ((I+J) \times H))$.

The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula (Finding 13)

Estimated Loss Formula

8/19/2013

Enter Institution Name

Academy of Cosmetology

Select Institution Type

Proprietary 2 Yrs or Less

Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1 DL Subsidized	2010-2011	\$ 63,866.00	22.20%	15.56%	\$ 9,935.64
2 DL Unsubsidized	2010-2011	\$ 33,300.00	22.20%	-5.99%	\$ -
3					
Description		\$ 97,166.00			\$ 9,935.64
4					
5					
6					
Description		\$ -			\$ -
7					
8					
9					
Description		\$ -			\$ -
10					
11					
12					
Description		\$ -			\$ -
Original Ineligible Loan Liability		\$ 97,166.00	Total Estimated Loss		\$ 9,935.64

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula (Finding 13)

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula (Finding 13)

To calculate estimated loss for a given ineligible loan amount, that amount is multiplied by the total subsidy rates calculated for the ineligible loans. Consolidation Loans will be obtained in the future to prepay some of the ineligible loans; the amount of Consolidation Loans divided by the ineligible Stafford/PLUS loans equals the "Consolidation prepayment rate" (H) for those loans.

The Department's Budget Office calculates, on an annual basis, the rate per dollar of loan of default subsidies (DSRs) and all other subsidies (OSRs) (D & F) for Stafford and PLUS Loans, by cohort year, program, loan type, and risk group (note that 2008-2010 FFEL loan costs are calculated only by cohort year).

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***
1	22.20%	14.49%	1.53	6.28%	9.61%	5.00%	2018	21.1%	3.19%	1.30%
2	22.20%	14.49%	1.53	8.76%	13.40%	19.94%	2018	23.0%	3.39%	-1.02%
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										

Federal Student Aid (FSA) calculates the cohort default rates (CDRs) of the institution (A), and the average CDR for the sector for that institution (B). FSA applies the CDR comparison ratio (C), $(A/B = C)$ against the Budget

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula (Finding 13)

Office's cohort loan DSR (D) to determine the default subsidy rate for the institution (E). The Budget Office estimates the default subsidy rate and other subsidy rate for the Consolidation Loans that will prepay some of these Stafford and PLUS Loans (I & J).

The total subsidy rate for the ineligible Stafford and PLUS Loans is $((E+F) + ((I+J) \times H))$.

The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

Institution Name: Academy of Cosmetology
 OPE ID: 03088300
 Appendix F - Estimated Loss Formula (Finding 15)

Estimated Loss Formula

8/19/2013

Enter Institution Name

Academy of Cosmetology

Select Institution Type

Proprietary 2 Yrs or Less

Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1 DL Subsidized	2010-2011	\$ 237,525.00	22.20%	15.56%	\$ 36,951.77
2 DL Unsubsidized	2010-2011	\$ 184,229.00	22.20%	-5.99%	\$ -
3 DL PLUS	2010-2011	\$ 36,208.00	22.20%	-18.26%	\$ -
Description		\$ 457,962.00			\$ 36,951.77
4					
5					
6					
Description		\$ -			\$ -
7					
8					
9					
Description		\$ -			\$ -
10					
11					
12					
Description		\$ -			\$ -
Original Ineligible Loan Liability		\$ 457,962.00	Total Estimated Loss		\$ 36,951.77

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula (Finding 15)

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula (Finding 15)

To calculate estimated loss for a given ineligible loan amount, that amount is multiplied by the total subsidy rates calculated for the ineligible loans. Consolidation Loans will be obtained in the future to prepay some of the ineligible loans; the amount of Consolidation Loans divided by the ineligible Stafford/PLUS loans equals the "Consolidation prepayment rate" (H) for those loans.

The Department's Budget Office calculates, on an annual basis, the rate per dollar of loan of default subsidies (DSRs) and all other subsidies (OSRs) (D & F) for Stafford and PLUS Loans, by cohort year, program, loan type, and risk group (note that 2008-2010 FFEL loan costs are calculated only by cohort year).

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***
1	22.20%	14.49%	1.53	6.28%	9.61%	5.00%	2018	21.1%	3.19%	1.30%
2	22.20%	14.49%	1.53	8.76%	13.40%	19.94%	2018	23.0%	3.39%	-1.02%
3	22.20%	14.49%	1.53	5.04%	7.71%	21.59%	2014	17.0%	2.63%	-28.38%
4										
5										
6										
7										
8										
9										
10										
11										
12										

Federal Student Aid (FSA) calculates the cohort default rates (CDRs) of the institution (A), and the average CDR for the sector for that institution (B). FSA applies the CDR comparison ratio (C), $A/B = C$ against the Budget

Institution Name: Academy of Cosmetology

OPE ID: 03088300

Appendix F - Estimated Loss Formula (Finding 15)

Office's cohort loan DSR (D) to determine the default subsidy rate for the institution (E). The Budget Office estimates the default subsidy rate and other subsidy rate for the Consolidation Loans that will prepay some of these Stafford and PLUS Loans (I & J).

The total subsidy rate for the ineligible Stafford and PLUS Loans is $((E+F) + ((I+J) \times H))$.

The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

(b)(6); (b)(7)(C)

(b)(6); (b)(7)(C)